UNIVERSITY OF PENNSYLVANIA

THE USE OF BANKING ENTERPRISES IN THE FINANCING OF PUBLIC EDUCATION, 1796-1866

A DISSERTATION

IN EDUCATION

PRESENTED TO THE FACULTY OF THE GRADUATE SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

JOHN ANTHONY MUSCALUS

PHILADELPHIA

1945

UNIVERSITY OF PENNSYLVANIA

THE USE OF BANKING ENTERPRISES IN THE FINANCING OF PUBLIC EDUCATION, 1796-1866

A DISSERTATION

IN EDUCATION

PRESENTED TO THE FACULTY OF THE GRADUATE SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

JOHN ANTHONY MUSCALUS

PHILADELPHIA

1945

R. UNIV.
BIBLIOTHEEK
LEIDEN

Acknowledgements

I wish to express my thanks and to acknowlege my good fortune in having for my doctoral committee the following distinguished educators: Dr. Arthur J. Jones, Professor of Secondary Education, University of Pennsylvania; Dr. James A. Mulhern, Associate Professor of Education, University of Pennsylvania; and Dr. Ralph C. Preston, Assistant Professor of Education, University of Pennsylvania.

To them I owe my most grateful thanks for the care with which they read and reread the entire dissertation and for their many helpful suggestions which have added appreciably to the value of this work.

My acknowledgements would be far from complete were I to omit my thanks to my wife for her help in checking the transcriptions and galleys.

February 14, 1944.

John A. Muscalus.

TABLE OF CONTENTS

Chapter		Page
I.	Introduction	7
	The Use of Banks by Individual States	
II.	Delaware	10
III.	Connecticut	17
IV.	New York	30
V.	Virginia	38
VI.	Maryland	43
VII.	New Jersey	54
VIII.	Georgia	65
IX.	Mississippi	72
X.	Kentucky	78
XI.	Vermont	87
XII.	North Carolina	92
XIII.	Tennessee	106
XIV.	Rhode Island	114
XV.	New Hampshire	120
XVI.	Alabama	127
XVII.	Maine	132
XVIII.	Pennsylvania	138
XIX.	Indiana	143
XX.	Massachusetts	148
XXI.	Missouri	151
XXII.	Ohio	156
XXIII.	Arkansas	162
XXIV.	Florida	164
XXV.	**The Practice During Certain Periods or in Relation to Certain Events**	167
XXVI.	Summary of the Practices	177
XXVII.	Conclusions	180
Bibliography. Primary Sources		181
Bibliography. Secondary Sources		193

Tables

		Page
I.	Bank Stock in the Delaware School Fund	15
II.	Bank Stock in the Connecticut School Fund, 1814-1869	21
III.	Bank Stock and Dividends in Comparison to Capital and Receipts of the Connecticut School Fund	29
IV.	Bank Stock in the New York School Fund	36
V.	Bank Stock in the Virginia Literary Fund	41
VI.	New Jersey Bank Tax in Comparison to Amount Paid to Counties for Schools	63
VII.	Bank Stock in the New Jersey School Fund	64
VIII.	Bank Dividends and Taxes in the Kentucky School Fund during the Civil War	86
IX.	Bank Taxes Paid to Vermont School Fund	90
X.	Bank Stock in the North Carolina Literary Fund	104
XI.	Bank Dividends in Relation to Expenditures for North Carolina Schools	105
XII.	Tennessee Common School Fund Receipts and Distribution	113
XIII.	Bank Stock in the Rhode Island School Fund	119
XIV.	Bank Taxes Paid to the New Hampshire Literary Fund	126
XV.	Maine Bank Tax Contribution to Schools	137
XVI.	School Money Distributed between 1842-1866 in Missouri	155
XVII.	Bank Taxes Paid in Ohio	159

Digitized by the Internet Archive
in 2026

https://archive.org/details/IA41547306_0007

Chapter I

Introduction

Introduction. With the early incorporations of banks in the United States, it became a common practice for States to reserve to themselves the right to subscribe to some of the bank stock. The amount of stock thus reserved often varied in the amount and in regard to the time during which the option was valid. Some States went so far as to establish banks entirely on State capital. Most States utilized bank-stock investments or taxation of banks as a means to aid public education. In fact, the practice was rather general before the Civil War; and in some instances, for periods of varying duration, the money distributed to school districts by the State was derived entirely or almost entirely from bank-stock investments or taxation of banks. This fact seems to have been almost entirely overlooked by those who have attempted to describe the development of schools during this period.

Statement of the Problem. The purpose of this investigation is to trace the use of banking enterprises by the States as a means of financing public education between 1796 and 1866. The date, 1796, is selected as the beginning of the study because in that year the use of banks to finance public education was first enacted into law by a State. Such sources of State school funds are traced to that period in our history when the National Banks supplanted the State banks, and when the note issues of the latter were taxed out of existence by an act of March 3, 1865.

Definitions of terms.

1. By "use of banking enterprises" is meant State acquisition of bank stock, taxation of banks, bonus requirements, and sale of stock reservation, as a means of financing public education.
2. By "banking enterprises" is meant any financial institution recognized as such by the particular State.
3. By "taxation of banks" is meant special taxation of bank stock, of capital, of net profits or dividends, and of note issues as distinguished from general taxation.
4. By "bonus" is meant lump sum payments, in cash or bank stock, required of certain banks. In some instances it is referred to as a tax.

5. By "stock reservation" is meant shares held or made available for subscription by the State on terms specified.

6. By "public education" is meant the State school systems generally referred to during this period as common schools.

Sources of data and procedure. In as much as literature on the subject is meager and references to the use of banks in the promotion of public schools are widely scattered and rarely mentioned, except by authors like Swift[1] and Bourne,[2] an extensive effort was required to determine instances wherein various States invested in bank stock or reserved stock in banks. General sources of these were, especially, Root,[3] Sumner,[4] Bourne,[5] Dewey,[6] Cramer,[7] Knox,[8] the author's work,[9] and a large collection of histories of individual banks.[10] These sources were supplemented by several hundred letters sent to heads of long-lived banks. The author's experience gained from years of interest in the relationship of education to early financial measures, and the experiences from his special interest in bank notes issued by financial and educational or semi-educational institutions provided other supplemental material.

These sources supplemented a lengthy search of the session laws. legislative journals, reports of the State auditors, State treasurers, superintendents of public instruction, and various other State

---

[1] Fletcher Harper Swift. *A History of Public Permanent Common School Funds in the United States, 1795-1905.* New York: Henry Holt and Company, 1911.

[2] E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York E. G. Putnam's Sons, 1885.

[3] L. Carroll Root. "States as Bankers," *Sound Currency,* April 15, 1895. (Vol. 2, No. 10)

[4] Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896.

[5] Bourne, *op. cit.*

[6] Davis R. Dewey. *State Banking before the Civil War.* National Monetary Commission. Washington: Government Printing Office, 1910.

[7] T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso., 1936.

[8] John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900.

[9] John A. Muscalus. *State-Owned Banks, the Pet Banks and their Bank Notes.* Bridgeport, Pa.: The Author, 1940.

[10] *Idem. Bibliography of Histories of Specific Banks.* Norristown, Pa.: The Author, 1942.

officers and boards, together with hundreds of secondary sources. In order to avoid mistakes due to copying, frequent use was made of photostats where tables were involved or where it was especially desirable to have the exact wording of quotations.

Order of treatment. The subject is taken up, State by State, in the order in which the States first enacted or inaugurated the use of banks in the promotion or foundation of their public school systems. Following the treatment by individual States, cross section views are given of the practice in the country during certain periods or in relation to certain events.

Other Sources of funds. It is not intended that this study convey the impression that the use of banks, though outstanding, was the only source of funds for public education in the period studied. Other State sources of funds were land grants, appropriations, rate bills, fees, fines, forfeitures and endowments. In addition to these, there were local sources of funds for public education.

Chapter II

Delaware

In most States many early charters that were granted to banks contained provisions that directed the State to subscribe for some of the stock or that reserved a certain amount of stock for the State.[1] Provisions of this nature were in the acts which granted charters to such early banks as the Bank of New York in 1791,[2] the Bank of Albany in 1792,[3] the Hartford Bank in 1792,[4] the Union Bank of Boston in 1793,[5] the Bank of Columbia (N. Y.) in 1793, [6] and the Bank of Delaware on February 9, 1796. The last was chartered by "An Act to incorporate a bank in the Borough of Wilmington, in this state," in which Delaware reserved the right to subscribe to fifty shares for the use of the State.[7]

Another act of the same date, February 9, 1796, provided that money received into the treasury from marriage and tavern licenses between February 9, 1796, and January 1, 1806, be set aside as part of a fund to establish schools in the State and also directed that the money "be invested in shares in either of the Bank of Delaware, United States, of Pennsylvania, or of North America."[8] In compliance with this act, the report of Thomas Sipple, treasurer of the fund for establishing schools, shows that in April, 1796, there were purchased 3 shares of Bank of Delaware at $230 per share, 7 shares at $200 per share, and 5 shares at $200 per share, making a total of

---

[1] Davis R. Dewey. *State Banking before the Civil War.* National Monetary Commission. Washington: Government Printing Office, 1910, p. 33.

[2] *Laws of the State of New York,* 1791, Chapter 37.

[3] *Idem,* 1792, Chapter 61.

[4] Chas. F. Burpee. *First Century of the Phoenix National Bank of Hartford, 1814-1914.* Hartford: n.p., 1914, p. 70; John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 373.

[5] T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Banker's Asso., 1936, p. 29.

[6] *Laws of the State of New York,* 1793, Chapter 38.

[7] *Laws of the State of Delaware, from the fourteenth day of October, one thousand seven hundred, to the eighteenth day of August, one thousand seven hundred and ninety-seven. 2 Vols.* New Castle: Samuel & John Adams, 1797, Vol. 2, pp. 1236-1239.

[8] *Ibid.,* pp. 1296-1298, sections 1 & 4; *Fifth Annual Report of the Superintendent of Free Schools of the State of Delaware,* 1880, p. 45.

$3090 in this bank in April 1796. The dividends on this investment in 1797 amounted to $34.20 in January, and $84 in November.[9]

On January 24, 1797, a supplement to the "Act to create a fund sufficient to establish schools in this state" provided that stock of the Bank of Delaware be purchased and also that the Treasurer use Loan Office proceeds for purchasing of stock in that bank toward the fifty shares reserved for the State in the Bank of Delaware.[10]

By these acts Delaware laid the basis of its public school system and became the first State to specify bank stocks in which the school funds may be invested; and it also became the first State to invest school funds in bank stock.

On February 3, 1807, Delaware chartered the Farmers Bank of the State of Delaware with a capital of $500,000,[11] of which Delaware took one-fifth and continued ownership of stock in this bank down through the years.[12] On February 5, 1808, a year after the charter was granted, the legislature instructed the trustee of the school fund to invest all money in the fund in shares of the Farmers Bank of Delaware.[13]

Although the act of February 9, 1796, stipulated that the funds acquired from the source indicated were to be so allocated only until January 1, 1806, subsequent acts in 1806[14] and 1813[15] extended the periods. After a lapse of a little over two years the act of February 26, 1822, renewed and extended the provisions and also provided

---

[9] *Journal of the House of Representatives of the State of Delaware,* 1798, pp. 42-43.

[10] *Laws of the State of Delaware, from the fourteenth day of October, one thousand seven hundred, to the eighteenth day of August, one thounsand seven hundred and ninety-seven.* 2 Vols. New Castle: Samuel & John Adams, 1797, Vol. 2, p. 1352.

[11] *Laws of the State of Delaware, from the seventh day of January, one thousand eight hundred and six, to the third day of February, one thousand eight hundred and thirteen. 4 Vols.* Wilmington: Bradford & Porter, 1816, Vol. IV, p. 87.

[12] Cramer, *op. cit.,* p. 19.

[13] *Journal of the House of Representatives of the State of Delaware,* 1808, p. 109.

[14] *Laws of the State of Delaware, from the seventh day of January, one thousand eight hundred and six, to the third day of February, one thousand eight hundred and thirteen.* 4 Vols. Wilmington: Bradford & Porter, 1816, Vol. IV, p. 52.

[15] *Ibid.,* p. 596.

that the funds collected during the lapse also be invested in bank stock and credited to the benefit of the school fund.[16]

In spite of a number of early efforts to obtain some of the growing school fund to establish schools,[17] no distribution was made until 1817 when the amount had grown to sufficient size and income. In February of that year the legislature passed an act which allotted to each county annually $1000 in quarterly payments to be used in providing instruction to children of poor parents in reading, writing and arithmetic.[18] The dissatisfaction with the favoritism toward the poor resulted in continual criticism of the system and in 1829 a law made the schools free to all white children and youth between the ages of 5 and 21. At that time the fund amounted to $158,160.15[19] and had an annual income of $15,775.90.[20] By 1843 it reached $183,000, and there were 182 schools in operation with 6,148 pupils at an expense of $32,000.[21] A complete system of education was established in 1852.[22]

When the Surplus Revenue was distributed among the States by the federal act of June 23, 1836,[23] Delaware received $286,751.49.[24] In accordance with an act of February 21, 1837,[25] $180,000 was invested in 5000 shares of the Farmers Bank

---

[16] *Laws of the State of Delaware,* 1822, Chapter 144, p. 241.

[17] S. A. Weeks. *History of Public Education in Delaware.* U. S. Bureau of Education. Bulletin, 1917, No. 18. Washington: Government Printing Office, 1917, pp. 20-24.

[18] *Fifth Annual Report of the Superintendent of Free Schools of the State of Delaware,* 1881, p. 45; A. D. Mayo. "The American Common School in the Southern States During the First Half Century of its Republic, 1790-1840." *Report of the Commissioner of Education, 1895-1896.* Washington: Government Printing Office, 1897, Vol. 1, p. 279.

[19] *Journal of the House of Representatives of the State of Delaware,* 1830, p. 144; Lyman P. Powell. *The History of Education in Delaware.* U. S. Bureau of Education, Circular of Information, 1893, No. 3, Washington: Government Printing Office, 1893, p. 161.

[20] *Journal of the House of Representatives of the State of Delaware,* 1830, p. 144.

[21] Mayo, *op. cit.,* p. 280.

[22] *Ibid.,* p. 281.

[23] *U. S. Statutes at Large,* Vol. V, p. 55.

[24] E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York: E. G. Putnam's Sons, 1885, p. 52; E. P. Cubberly & E. C. Elliot. *State and County School Administration.* New York: Macmillan Co., 1922, p. 53.

[25] *Laws of the State of Delaware,* 1835-1843. Dover: S. Kimmey, 1843, pp. 175-176

of the State of Delaware, $110,000 was loaned to the Wilmington & Susquehanna Railroad Company, and the remaining $20,958.49, although at first invested in various ways, was invested later in the stock of the Smyrna Bank and the National Bank of Delaware.[26]

An act of February 22, 1837, provided that the income from the investments and loans be distributed as follows:

1/3 to Kent for Schools
1/3 to New Castle for Schools
1/9 to Sussex for Schools
2/9 to Sussex for poor tax.[27]

Delaware's management of the fund was highly successful and outstanding. Besides increasing the principal notably it provided an annual income of $15,000 for schools.[28]

Beginning with the original investment in stock of the Bank of Delaware made in 1796, the number of investments in bank stock increased with time and included other banks. By 1808, the estimated market value of the bank stock was $30,497.50. In 1829, it was $129,228; in 1831, $156,212; in 1853, $329,712 and in 1860, $316,392.00. Bank stock made up almost the entire capital of the school fund throughout this period.

The introduction of the National Bank System caused very much concern over the bank investments; for the governor in his message to the legislature felt it his duty[29] to call their attention to the act of Congress, approved March 3, 1865,[30] which provided "that every National Banking Association, State Bank or State Banking Association, shall pay a tax of ten percentum on the amount of notes of any State Bank, or State Banking Association, paid out by them after the first day of July, eighteen hundred and sixty-six."

---

[26] Bourne, *op. cit.*, p. 53.

[27] On February 12, 1845, this was also appropriated to schools. See *Laws of the State of Delaware,* 1841, p. 41. Hon. John Eaton. "What Has Been Done by the General Government in Aid of Education." U. S. Bureau of Education. Circular of Information, 1879, No. 2. Washington: Government Printing Office, 1879, p. 127.

[28] Eaton, *Ibid.,* p. 128.

[29] *Message of the Governor to the General Assembly of the State of Delaware,* 1867, p.2. See also the *Journal of the Senate of the State of Delaware,* Adjourned Session, 1865/66, p. 28; and *Journal of the House of Representatives of the State of Delaware,* 1867, pp. 10-11.

[30] *U. S. Statutes at Large,* Vol. 13, p. 484, Sec. 6.

He stated that it remained to be seen "whether the Directors and Stockholders of the Farmers' Bank, and Bank of Smyrna, will consider it the interest of these institutions to continue to do business under their charters with their circulation taxed out of existence . . ." He hoped that they did not find it necessary to go into liquidation. This was "still more desirable in consideration of the free schools of the State, a large amount of the funds for the support of which are invested in the Farmers' Bank."[31]

Although the legislature passed an act to enable the Farmers' Bank to nationalize, its directors decided to have it remain as a State bank under its State charter.[32]

---

[31] *Message of the Governor to the General Assembly of the State of Delaware,* 1867, p. 3; also in *Journal of the House of Representatives of the State of Delaware,* 1867, p. 10.

[32] L. Carroll Root. "States as Bankers," *Sound Currency,* April 15, 1895 (Vol. 11, No. 10, p. 8). The Union Bank and the Bank of Delaware became nationalized prior to 1870.

TABLE 1

Bank Stock in the Delaware School Fund

	1796[32]	1808[33]	1810[34]
Bank of Delaware	$3,090.00	$11,840,00	$$11,840.00
Bank of Pennsylvania		10,800.00	
Farmers' Bank		6,297.50	33,540.00
Bank of United States		1,560.00	
Bank of Smyrna			
Union Bank			
Bank of U. S. of Penna.			
Total Bank Stock	3,090.00	30,497.50	45,380.00
Total Bank Dividend	118.20	1,624.00	2,652.00
Total Income	3,523.53	5,774.00	4,364.37
Total School Fund	3,523.53	33,359.01	46,403.98

—o—

	1815[35]	1829[36]	1832[37]
Bank of Delaware	$11,100.00	$11,470.00	$11,396.00
Bank of Pennsylvania			
Farmers' Bank	71,280.00	109,755.00	121,950.00
Bank of United States		8,003.00	7,150.00
Bank of Smyrna			
Union Bank			
Bank of U. S. of Penna.			
Total Bank Stock	82,380.00	129,228.00	140,496.00
Total Bank Dividend	5,142.20	6,837.50	7,150.00
Total Income	7,689.04	15,775.90	24,633.62½
Total School Fund	82,714.22	158,160.15	153,761.78¼

[32] *Journal of the House of Representatives*, 1798, pp. 42-43.
[33] *Idem*, 1809, pp. 32-33.
[34] *Idem*, 1811, pp. 32-33.
[35] *Idem*, 1816, pp. 30-31.
[36] *Idem*, 1830, pp. 142-144.
[37] *Idem*, 1833, pp. 240-244.

	1838[38]	1852[39]	1860[40]
Bank of Delaware	$12,950.00	$14,800.00	$ 1,480.00
Bank of Pennsylvania			
Farmers' Bank	121,950.00	301,950.00	301,950.00
Bank of United States			
Bank of Smyrna		6,612.00	6,612.00
Union Bank		6,350.00	6,350.00
Bank of U. S. of Penna.	7,930.00*		
Total Bank Stock	143,830.00	329,712.00	316,392.00
Total Bank Dividend	8,715.00	17,070.00	11,182.50
Total Income	43,695.16	43,572.00	37,580.47
Total School Fund	185,049.48	435,505.83	431,392.00

[38] *Idem,* 1839, pp. 354-355.
[39] *Idem,* 1853, pp. 403-420.
[40] *Idem,* 1861, pp. 16-24.

* Bank of U. S. Stock was transferred to this bank when the Bank of the United States received its charter from Pennsylvania as a State bank.

Chapter III

Connecticut

A resolve of the General Assembly of Connecticut, passed in May, 1800,[1] directed that the principal of the School Fund be invested in "Bank Stock or Stock of the United States" as proceeds thereof were received from time to time.[2]

Connecticut was the first of the States to establish a common school fund, and had done so in 1795.[3] This fund, based on an original capital of $1,200,000 in 1795, was derived from the sale of the "Western Reserve."[4] The latter was a stretch of land extending 120 miles westward from the western line of Pennsylvania. Connecticut reserved this stretch for itself on Sept. 30, 1786, when it ceded all claims to the remaining part to the United States.[5] These lands had been granted to Connecticut originally by Charles II, in 1662, but were in conflict with claims of others.[6]

Although no investment of the school fund was made in bank stock until 1814 when $57,600 was invested in stock of the Hartford Bank,[7] the State had invested in bank stock for other purposes in 1803 and on a number of other occasions[8] prior to the investment of the school funds in such stock.

---

[1] *Connecticut Archives, College and Schools,* 2nd Series. Vol. III, Document 1; *Public Records of the State of Connecticut,* Vol. 6, 1797-1801; pp. 43-44; Connecticut. *Report of the Commissioner of the School Fund,* May 1826, p. 8; Also referred to in part in *Eighth Annual Report of the Superintendent of Common Schools of Connecticut,* 1853, p. 146. This resolve was not printed with the Connecticut Statutes for May, 1800.

[2] *Report of the Commissioner of the School Fund of Connecticut,* May, 1826, p. 8.

[3] B. A. Hinsdale. "Common School Fund of Connecticut." *Report of the Commissioner of Education, 1892-93.* Washington: Government Printing Office, 1893, Vol. II, Part III, Chap. 1, p. 1256. *Annual Report of the Board of Education of the State of Connecticut,* 1876, p. 111.

[4] B. C. Steiner. *History of Education in Connecticut.* U. S. Bureau of Education, Circular of Information, 1893, No. 2. Washington: Government Printing Office, 1893, p. 39.

[5] *Ibid.,* p. 38.

[6] See also State Board of Education. *Development of State Support and Control of Education in Connecticut.* Hartford, 1926, p. 23.

[7] *Report of the Commissioner of the School Fund of Connecticut,* May, 1826, p. 8, refers to it as made anterior to 1815. A letter from the office of the Commissioner places it in 1814.

[8] P. W. Woodward. *One Hundred Years of the Hartford Bank now the Hartford National Bank of Hartford, Conn.* Hartford: The Case, Lockwood, & Brainard Co., 1892, p. 84; *The Middletown Bank, Chartered 1795. Organized 1801. Since 1865, The Middletown National Bank.* Middletown: n. p., 1901, p. 9.

The investments in 1803 came about in consequence of an agreement among the stockholders of the Hartford Bank, the New Haven Bank, and the Middletown Bank in which they indicated their application and assent to have the State invest some of its funds in their bank stock.[9] Shortly thereafter, the May session of the General Assembly passed an act whereby the treasurer was directed to subscribe to shares of the three banks and to include the New London Bank and the Norwich Bank in the terms of the act if they signified their willingness.[10]

Heretofore, only the Hartford Bank charter, granted in 1792, stated that the State might subscribe to stock, the shares to be non-transferable but withdrawable upon six months notice.[11]

At about this time, various institutions were receiving funds by means of lotteries, appropriations, etc. These and the school fund of $1,200,000 all made good capital funds available. In 1806, the shareholders of the Hartford Bank voted to accept subscriptions from any religious societies or school corporations on terms similar to those enjoyed by the State.[12] The State, in May, 1807, passed an act whereby the bank's capital was increased, and by section 6, the bank should be open at all times to subscriptions of shares from the funds of schools, ecclesiastical societies, or other incorporations for charitable purposes, in the State, without any advance thereon, and with the right, on the part of the privileged associations to withdraw their moneys on giving six months notice.[13]

Thereafter, the provision that subscriptions from the school fund or from any college, ecclesiastical society, school or incorporation for charitable purposes, within the state, were to be acceptable at all times became the practice and was included in bank charters granted

---

[9] Woodward, *op. cit.*, pp. 81-82.

[10] *Connecticut Acts & Laws,* May 1803, pp. 634-636; L. Carroll Root. "New England Bank Currency," *Sound Currency,* June 1, 1895 (Vol. 2, No. 13, p. 266). Correspondence between the Commissioners of the School Fund and the New Haven Bank, pp. 7-8.

[11] Chas. W. Burpee. *First Century of the Phoenix National Bank of Hartford. 1814-1914.* Hartford: n. p., 1914, p. 70; John J. Knox. *A History of Banking in the United States,* N. Y.: Bradford Rhodes & Co., 1900, p. 375; *Resolves and Private Laws of the State of Connecticut from the year 1789 to the year 1836.* 2 Vols. Hartford: J. B. Elbridge, Printer, 1837, Vol. 1, p. 96, sec. 1.

[12] Woodward, *op. cit.*, p. 85. See also Wm. G. Summer, *A History of Banking in the United States. (A History of Banking in all the Leading Nations,* Vol. 11). New York: The Journal of Commerce and the Commercial Bulletin, 1896 p. 42.

[13] *Connecticut Acts and Laws,* May Session, 1807, pp. 766-767.

before the Civil War.[14] A few instances are charters of the New London Bank,[15] the Eagle Bank and the Phoenix Bank.[16] Occasionally when a bank sought a charter, it offered to contribute, or was required to contribute, sums of money to higher educational institutions.[17]

Acting in accordance with a Resolve of the General Assembly, passed May, 1800, bank stocks in the School Fund began to increase in number from the original subscription of $57,600 in the Hartford Bank in 1814 to over $100,000 in several banks by May, 1826, and represented one seventeenth of the Fund. The State had made similar investments of its general funds to the amount of $373,800.[18] To make the investments safer and more productive, the State Treasurer and the School Fund Commissioner were given power in 1836 to examine banks so that they would know when it was advisable to withdraw the investments.[19]

In as much as the special investment privilege enabled the favored ones to use the banks for investment when the returns were good and to withdraw their funds when returns were low, the policy became a great source of aid to the State and institutions but also embarrassing to some of the banks, and efforts were made to challenge the policy and to relieve themselves of the subscriptions.[20] In a case begun in 1821, the Phoenix Bank was forced to open its subscription books to the American Asylum for the Deaf and Dumb.[21] However, the dangers of overcapitalization induced the General Assembly in 1823 to restrict the subscriptions from societies to $5,000 but exempted the State.[22] In December, 1831, Seth. P. Beers, Commis-

---

[14] Sumner, *op. cit.*, p. 42. Also, Root, *op. cit.*, p. 266.

[15] *Connecticut Acts and Laws,* May, 1807, p. 784. See also *One Hundred Years of Banking in Norwich, Connecticut.* Norwich: The Thames National Bank, 1925, p. 13.

[16] *Correspondence between the Commissioners of the School Fund and the New Haven Bank,* p. 7. Phoenix Bank Charter is quoted in Burpee, *op. cit.* See page 143, especially.

[17] See Clarence W. Bell. *Stamford's First Century of Banking, 1834 to 1934.* Stamford: Privately Printed, 1934, p. 13 Also Burpee, *op. cit.*, pp. 138, 143, and 21. And Francis Parsons. *A History of Banking in Connecticut.* Tercentenary Commission of the State of Connecticut. New Haven: Yale University Press, 1935, p. 10.

[18] *Report of the Commissioner of the School Fund of Connecticut,* May, 1826, p. 8

[19] Burpee, *op. cit.*, p. 74. Also Parsons, *op. cit.*, p. 1522.

[20] *The Middletown Bank, op. cit.*, pp. 9-11. See also Sumner *op. cit.*, p. 42; Woodward, *op. cit.*, p. 86; and Burpee, *op. cit,* p. 73.

[21] Burpee, *op. cit.*, p. 72.

[22] *Connecticut Acts and Laws,* May Session, 1823, pp. 35-36.

sioner of the School Fund, met with opposition from the New Haven Bank when he tried to invest $10,000 of the School Fund in its stock.[23] Similarly, in 1857, a case arose over the refusal of the Farmers' and Mechanics' Bank to accept a subscription from the Charitable Society of Hartford.[24]

The National Bank Acts of 1863,[25] 1864,[26] and the 10%[27] tax on note issues started a stampede toward nationalization of State banks.[28] A report submitted to the General Assembly of 1866, stated that of the ninety banks in the State, eighty-two were National, and eight were State banks.[29]

The conversion of State banks into National Banks was occasionally opposed by the State and led to considerable litigation as in the action against the Phoenix Bank.[30] The State also instituted proceedings against the Hartford Bank because when the latter nationalized, it shut the State out of the new institution.[31] The dispute finally wound up with the State's bank stock being bought at $144.15 a share.[32]

Whereas in 1859 there were 25[33] banks in which the School Fund owned stock, in 1866 there were 14,[34] and by 1905 there were only nine.[35]

---

[23] *Correspondence between the Commissioners of the School Fund and the New Haven Bank,* pp. 1-5.
[24] Burpee, *op. cit.,* p. 75.
[25] *U. S. Statutes at Large,* Vol. 12, p. 665.
[26] *Idem,* Vol. 13, p. 111.
[27] *Ibid.,* p. 484, sec. 6.
[28] Parsons, *op. cit.,* p. 19.
[29] *Report of the Bank Commissioners to the General Assembly of Connecticut,* 1866, p. 3.
[30] Burpee, *op. cit.,* pp. 77-78.
[31] *Report of the Commissioner of the School Fund of Connecticut,* 1866, p. 4.
[32] Burpee, *op. cit.,* p. 78.
[33] *Report of the Commissioner of the School Fund of Connecticut,* 1859, p. 13
[34] *Idem.,* 1866, p. 11.
[35] Fletcher Harper Swift. *A History of Public Permanent Common School Funds in the United States, 1795-1905.* New York: Henry Holt & Co., 1911, p. 437.

TABLE II

Bank Stock in the Connecticut School Fund, 1814-1869.[36]

BANKS	1814	1825	1827	1833	1835
Hartford	$ 57,600	$ 57,600	$ 57,600	$ 67.600	$ 68,000
Phoenix		20,000	20,000	40,000	40,000
Fairfield Co.			7,000	13,600	13,600
Windham Co.			7,000	7,000	4,000
New London			6,250	6,250	10,000
Middletown				10,000	10,000
Stonington				3,000	3,000
New Haven					10,000
Conn. (Bridgeport)					6,400
Middlesex Co.					10,000
Bridgeport					10,000
Norwich					10,000
Merchants (Norwich)					5,000
Farmers & Mechanics					
Windham					
Tolland Co.					
Exchange					
Danbury					
Whaling					
New Haven Co.					
Thames					
Meriden					
Iron					
East Haddam					
State					
Waterbury					
Winsted					
Saybrook					
Deep River					
City of Hartford					
Stafford					
Total Bank Stock	$ 57,600	$ 77,600	$ 97,850	$147,450	$200,000

[36] *Data from the Reports of the Commissioner of the School Fund of Connecticut.*

BANKS	1837	1838	1839	1840	1841
Hartford	$ 68,000	$ 68,000	$ 68,000	$ 68,000	$ 68,000
Phoenix	40,000	40,000	40,000	40,000	40,000
Fairfield Co.	15,300	15,300	15,300	15,300	15,300
Windham Co.	4,000	4,000	4,000	4,000	4,000
New London	10,000	10,000	10,000	10,000	10,000
Middletown	10,000	10,000	10,000	10,000	10,000
Stonington	3,000	3,000	3,000	3,000	3,000
New Haven	10,000	10,000	10,000	10,000	10,000
Conn. (Bridgeport)	6,400	6,400	6,400	6,400	6,400
Middlesex Co.	10,000	10,000	10,000	10,000	10,000
Bridgeport	10,000	10,000	10,000	10,000	10,000
Norwich	10,000	10,000	10,000	10,000	10,000
Merchants (Norwich)	5,000	5,000	5,000	5,000	5,000
Farmers & Mechanics	10,000	10,000	10,000	10,000	10,000
Windham	5,000	5,000	5,000	5,000	5,000
Tolland Co.				4,000	4,000
Exchange					
Danbury					
Whaling					
New Haven Co.					
Thames					
Meriden					
Iron					
East Haddam					
State					
Waterbury					
Winsted					
Saybrook					
Deep River					
City of Hartford					
Stafford					
Total Bank Stock	$216,700	$216,700	$216,700	$220,700	$220,700

BANKS	1842	1843	1844	1845	1846
Hartford	$ 68,000	$ 68,000	$ 68,000	$ 68,000	$ 68,000
Phoenix	40,000	40,000	40,000	40,000	40,000
Fairfield Co.	15,300	15,300	15,300	7,650	7,650
Windham Co.					
New London	10,000	10,000	10,000	10,000	10,000
Middletown	10,000	10,000	10,000	10,000	10,000
Stonington	3,000	3,000	3,000	5,000	5,000
New Haven	10,000	10,000	10,000	10,000	10,000
Conn. (Bridgeport)	6,400	6,400	6,400	6,400	6,400
Middlesex Co.	10,000	10,000	10,000	10,000	10,000
Bridgeport	10,000	10,000	10,000	10,000	10,000
Norwich	10,000	10,000	10,000	10,000	10,000
Merchants (Norwich)	5,000	5,000	5,000	5,000	5,000
Farmers & Mechanics	10,000	10,000	10,000	20,000	20,000
Windham	5,000	5,000	5,000	5,000	5,000
Tolland Co.	4,000	4,000	4,000	5,000	5,000
Exchange			5,000	25,000	25,000
Danbury				7,650	7,650
Whaling					
New Haven Co.					
Thames					
Meriden					
Iron					
East Haddam					
State					
Waterbury					
Winsted					
Saybrook					
Deep River					
City of Hartford					
Stafford					
Total Bank Stock	$216,700	$216,700	$221,700	$254,700	$254,700

BANKS	1847	1848	1849	1850	1851
Hartford	$ 68,000	$ 68,000	$ 68,000	$ 68,000	$ 68,000
Phoenix	57,400	57,400	57,400	60,000	60,000
Fairfield Co.	7,650	10.700	10.700	10,900	10,900
Windham Co.					
New London	10,000	10,000	10,000	10,000	10,000
Middletown	10,000	10,000	10,000	10,000	10,000
Stonington	5,000	5,000	5,000	5,000	5,000
New Haven	10,000	10,000	10,000	10,000	10,000
Conn. (Bridgeport)	6,400	6,400	6,400	6,400	6,400
Middlesex Co.	10,000	10,000	10,000	10,000	10,000
Bridgeport	10,000	10,000	10,000	10,000	10,000
Norwich	10,000	10,000	10,000	10,000	10,000
Merchants (Norwich)	5,000	5,000	5,000	5,000	10,000
Farmers&Mechanics	20,000	25,000	25,000	25,000	30,100
Windham	5,000	5,000	5,000	5,000	5,000
Tolland Co.	5,000	5,000	5,000	5,000	5,000
Exchange	25,000	25,000	25,000		35,000
Danbury	7,650	8,500	8,500	8,500	8,500
Whaling	10,000	10,000	10,000	10,000	10,000
New Haven Co.		10,000	10,000	10,000	10,000
Thames		10,000	10,000	10,000	10,000
Meriden				5,000	5,000
Iron				6,000	6,000
East Haddam				5,000	5,000
State					10,000
Waterbury					
Winsted					
Saybrook					
Deep River					
City of Hartford					
Stafford					
Total Bank Stock	$282,100	$311,000	$311,000	$329,800	$359,900

BANKS	1852	1853	1854	1855	1856
Hartford	$ 68,000	$ 68,000	$ 68,000	$ 68,000	$ 68,000
Phoenix	60,000	60,000	60,000	60,000	60,000
Fairfield Co.	10,900	10,900	10,900	10,900	10,900
Windham Co.					
New London	10,000	10,000	10,000	10,000	10,000
Middletown	10,000	10,000	10,000	10,000	10,000
Stonington	5,000	5,000	5,000	5,000	5,000
New Haven	10,000	10,000	10,000	10,000	10,000
Conn. (Bridgeport)	6,400	6,400	6,400	6,400	6,400
Middlesex Co.	10,000	10,000	10,000	10,000	10,000
Bridgeport	10,000	10,000	10,000	10,000	10,000
Norwich	10,000	10,000	10,000	10,000	10,000
Merchants (Norwich)	10,000	10,000	10,000	10,000	10,000
Farmers&Mechanics	30,100	30,100	30,100	30,100	30,100
Windham	5,000	5,000	5,000	5,000	5,000
Tolland Co.	5,000	10,000	10,000	10,000	10,000
Exchange	35,000	35,000	35,000	35,000	35,000
Danbury	8,500	8,500	8,500	8,500	8,500
Whaling	10,000	10,000	10,000	10,000	10,000
New Haven Co.	10,000	10,000	10,000	10,000	10,000
Thames	10,000	10,000	10,000	10,000	10,000
Meriden	5,000	5,000	5,000	5,000	5,000
Iron	6,000	6,000	6,000	6,000	6,000
East Haddam	5,000	5,000	5,000	5,000	5,000
State	15,000	30,000	30,000	30,000	30,000
Waterbury		10,000	10,000	10,000	10,000
Winsted		4,000	4,000	4,000	4,000
Saybrook		5,000	5,000	5,000	5,000
Deep River		5,000	5,000	5,000	5,000
City of Hartford		15,000	15,000	15,000	15,000
Stafford					5,000
Total Bank Stock	$364,900	$423,900	$423,900	$423,900	$428,900

BANKS	1857	1858	1859	1860	1861
Hartford	$ 68,000	$ 68,000	$ 68,000	$ 68,000	$ 68,000
Phoenix	60,000	60,000	60,000		
Fairfield Co.	10,900	10,900	10,900	10,900	10,900
Windham Co.					
New London	10,000	10,000	10,000	10,000	10,000
Middletown	10,000	10,000	10,000	10,000	10,000
Stonington	5,000	5,000	5,000	5,000	5,000
New Haven	10,000	10,000	10,000	10,000	10,000
Conn. (Bridgeport)	6,400	6,400	6,400	6,400	6,400
Middlesex Co.	10,000	10,000	10,000	10,000	10,000
Bridgeport	10,000	10,000	10,000	10,000	10,000
Norwich	10,000	10,000	10,000	10,000	10,000
Merchants (Norwich)					
Farmers&Mechanics	30,100	30,100	30,100	30,100	30,100
Windham	5,000	5,000			
Tolland Co.	10,000	10,000	10,000	10,000	10,000
Exchange	35,000	35,000	20,000		
Danbury	8,500	8,500	8,500	8,500	8,500
Whaling	10,000	10,000	10,000	10,000	10,000
New Haven Co.					
Thames	10,000	10,000	10,000	10,000	10,000
Meriden	5,000				
Iron	6,000	6,000	6,000	6,000	6,000
East Haddam	5,000				
State	30,000	30,000	30,000	30,000	30,000
Waterbury	10,000	10,000	10,000	10,000	10,000
Winsted	4,000	4,000	4,000	4,000	4,000
Saybrook	5,000	5,000	5,000	5,000	
Deep River	5,000	5,000	5,000	5,000	
City of Hartford	15,000	15,000	15,000	15,000	15,000
Stafford	5,000	5,000	5,000	5,000	5,000
Total Bank Stock	$408,900	$398,900	$378,900	$298,900	$288,900

BANKS	1862	1863	1864	1865	1866
Hartford	$ 68,000	$ 68,000	$ 68,000	$ 68,000	$ 68,000
Phoenix					
Fairfield Co.	10,900	10,900	10,900	10,900	10,900
Windham Co.					
New London	10,000	10,000	10,000	10,000	
Middletown	10,000	10,000	10,000	10,000	10,050
Stonington	5,000	5,000	5,000	5,000	5,000
New Haven	10,000	10,000	10,000	10,000	10,000
Conn. (Bridgeport)	6,400	6,400	6,400	6,400	6,400
Middlesex Co.	10,000	10,000	10,000	10,000	10,000
Bridgeport	10,000	10,000	10,000	10,000	10,000
Norwich	10,000	10,000	10,000	10,000	10,000
Merchants (Norwich)					
Farmers&Mechanics	30,100	30,100	30,100	30,100	30,100
Windham					
Tolland Co.	10,000	5,000			
Exchange					
Danbury	8,500	8,500	8,500	8,500	8,500
Whaling	10,000	10,000	10,000	10,000	
New Haven Co.					
Thames	10,000	10,000	10,000	10,000	
Meriden					
Iron					
East Haddam					
State	30,000	30,000	30,000	30,000	
Waterbury	10,000	10,000	10,000	10,000	10,862.61
Winsted	4,000				
Saybrook					
Deep River					
City of Hartford	15,000	15,000	15,000	15,000	15,000
Stafford	5,000	5,000	5,000	5,000	5,000
Total Bank Stock	$282,900	$273,900	$268,900	$268,900	$209,812.61

BANKS	1869
Hartford	$ 68,000
Phoenix	
Fairfield Co.	10,900
Windham Co.	
New London	
Middletown	10,050
Stonington	5,000
New Haven	10,000
Conn. (Bridgeport)	6,400
Middlesex Co.	10,000
Bridgeport	10,000
Norwich	10,000
Merchants (Norwich)	
Farmers & Mechanics	30,100
Windham	
Tolland Co.	
Exchange	
Danbury	8,500
Whaling	
New Haven Co.	
Thames	
Meriden	
Iron	
East Haddam	
State	
Waterbury	10,862.61
Winsted	
Saybrook	
Deep River	
City of Hartford	15,000
Stafford	5,000
Total Bank Stock	$209,812.61

TABLE III

Bank Stock and Dividends in Comparison to Capital and Receipts[37] of the Connecticut School Fund

Date	Bank Stock	Capital of Fund	Bank Dividends	Receipts
May, 1830	$ 97,850.00	$1,882,261.68	$ 2,900.02	$ 76,415.36
May, 1835	200,000.00	2,019,920.89	13,025.16	97,952.20
May, 1840	220,700.00	2,040,228.74	14,353.70	108,155.12
May, 1845	254,700.00	2,051,423.77	15,326.75	123,203.49
May, 1850	329,800.00	2,076,602.75	28,418.51	133,907.22
May, 1855	423,900.00	2,049,953.05	39,826.00	144,137.78
May, 1860	298,900.00	2.044,672.01	23,912.00	133,159.79
May, 1865	268,900.00	2,046,532.23	26,212.67	143,556.49
May, 1870	209,812.61	2,046,108.87	29,389.00	133,538.81

[37] *Data from the Reports of the Commissioner of the School Fund.*

Chapter IV

New York

The unsatisfactory banking experiences of colonial New York led the people of the State to favor the Bank of the United States and to require that special charters be granted to banks.[1] The latter practice continued until April 18, 1838, when the free banking system was established whereby upon the deposit of certain securities with the State comptroller a bank could be established and circulating notes issued.[2]

The need to obtain special charters brought about not only considerable bribery of legislators and offers of special inducements to the State but the State also took advantage of the situation by demanding bonuses as a condition for charter grants.[3] Frequently in granting the charters, the State reserved for itself the right to subscribe to a specified amount of shares, and sometimes required that shares be reserved for certain higher institutions of learning, (Hamilton, Union and Columbia).[4]

Instances of stock reservations can be seen in the acts incorporating the Bank of New York,[5] the Bank of Albany,[6] the Bank of Columbia, Hudson,[7] the Merchants' Bank,[8] New York City, the Mohawk Bank of Schenectady,[9] the Bank of Hudson,[10] the Mechanics' and Farmers' Bank, Albany,[11] the Bank of Troy,[12] the Middle District

---

[1] Don. C. Sowers. *The Financial History of New York State.* New York: Columbia University, 1914, p. 48.

[2] Frank K. Houston. *Commercial Banking in New York City.* New York: American Banker, Reprint, p. 6. See also John Thom Holdsworth. *Money and Banking.* Scranton: International Textbook Co., 1926, Sec. 5, p. 15.

[3] Sowers, *op. cit.,* pp. 48-49.

[4] G. S. Callender. "The Early Transportation and Banking Enterprises of the States in Relation to the Growth of Corporations." *Quarterly Journal of Economics* (Vol. 17: 111-162, p. 160). See also John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes and Co., 1900, p. 398. See especially the *Journal of the Senate of the State of New York,* 1823, pp. 119-120. For an early account see James W. Gilbart. *The History of Banking in America.* London: Longman, Rees, Orme, Brown, Green & Longman, 1837, pp. 58-59.

[5] *Laws of the State of New York,* 1791, Chap. 37.

[6] *Idem,* 1792, Chap. 61.

[7] *Idem,* 1793, Chap. 38.

[8] *Idem,* 1805, Chap. 43.

[9] *Idem,* 1807, Chap. 37.

[10] *Private Laws of the State of New York,* 1808, Chap. 84.

[11] *Laws of the State of New York,* 1811, Chap. 64.

[12] *Ibid.,* Chap. 66.

Bank,[13] the Bank of Newburg,[14] the Bank of Utica,[15] the Bank of America,[16] the City Bank of New York,[17] and the Bank of Lansingburgh.[18]

Although the State of New York owned shares in the Bank of the United States in 1791 and invested frequently in bank stocks thereafter,[19] its earliest use of bank stock for the promotion of public common education was in 1805. In that year it put into the Common School Fund three thousand shares of Merchants' Bank stock. The latter institution was chartered by an act of March 26, 1805, entitled, "An act to incorporate the stockholders of the Merchants' Bank in the City of New York,"[20] which provided among other things, "That the State shall have a right to subscribe any number of shares in the stock of the said corporation not exceeding in the whole three thousand[21] . . . And be it further enacted, That all the shares of stock in the said corporation which shall or may at any time hereafter be subscribed by this State, . . . and the interest and dividends that from time to time accrue thereon, shall be and hereby are declared to be a fund for the support of common schools within this State, to be applied in such manner as the legislature shall from time to time by law direct."[22]

In 1810, the Mechanics' Bank was incorporated and the State reserved the right to take some shares.[23] Later, in 1811 it relinquished the right upon the condition that besides paying $50,000 to the State Treasury, it pay $2,500 to the Comptroller on the first of each

---

[13] *Ibid.*, Chap. 68.
[14] *Ibid.*, Chap. 69.
[15] *Idem*, 1812, Chap. 64.
[16] *Ibid.*, Chap. 78.
[17] *Ibid.*, Chap. 175.
[18] *Idem*, 1813, Chap. 70.
[19] Sowers, *op. cit.*, p. 260.
[20] *Laws of the State of New York.* Albany: Websters & Skinner, 1806, Chap. 43. See also Wayne W. Soper. *Development of State Support of Education in New York State.* University of the State of New York Bulletin, May 1, 1933. No. 1019. Albany: The University of the State of New York Press, 1933, p. 19. And *Annual Report of the Superintendent of Common Schools,* Jan. 29, 1828, pp. 15-16. And also A. E. Schepmoes. *Rise and Progress of the School System of the State of New York.* Syracuse: C. W. Bardeen, 1891, p. 18.
[21] *Laws of the State of New York,* 1806, p. 63, sec. 111.
[22] *Ibid.*, p. 65, sec. X. In his report of Jan. 28, 1808, the Comptroller shows that $64,000 of stock in this bank was in the school fund; and he suggested that all the money of the fund be invested therein to the extent the State had reserved stock for itself. For this report see the *Journal of the Assembly of the State of New York,* 1808, p. 31. He made a similar suggestion in his previous report, for which see the *Journal of the Assembly of the State of New York,* 1807, p. 34.
[23] *Private Laws of the State of New York,* 1810, Chap. 87, p. 110.

year for five years for the use and encouragement of the common schools.[24]

The expiration of the charter of the first Bank of the United States in 1811 not only eased the restraints on proponents of various banks but encouraged State incorporations to take over its business and capital; and in 1811 and 1812 nine new banks were chartered in New York,[25] of which, two, the Bank of America and the City Bank of New York, contained provisions for their use in the financing of public schools.

The Bank of America was a successor to the Bank of the United States in that $5,000,000 of its stock was paid in in stock of the Bank of the United States and its promoters were directors and stockholders of the former institution.[26]

The bill incorporating the Bank of America provided among other things that the bank pay to the treasurer of the State the sum of four hundred thousand dollars, in four equal payments, "to be applied to the use and encouragement of common schools in this state," one hundred thousand dollars for roads and navigation and one hundred thousand dollars for the encouragement of literature.[27]

Likewise, the act of June 16, 1812, entitled, "An Act to Incorporate the Stockholders of the City Bank of New York," provided that the bank "shall pay to the treasurer of this state, for the use and benefit of common schools, one hundred and twenty thousand dollars, in six equal annual payments, the first payment to be made on the first day of May next, and in default of either of the said payments, this act to be null and void."[28]

The Bank of New York had been chartered in 1791 with a capital of $900,000 plus $50,000 subscribed by the State.[29] On April 2,

---

[24] *Laws of the State of New York,* 1811, Chap. 189, pp. 268-269.

[25] L. Carroll Root. "Bank Currency in New York Prior to 1829." *Sound Currency.* February, 1895 (Vol. 11, No. 5). New York: Sound Currency Committee of the Reform Club, 1895, p. 286.

[26] *A History of Fifty Feet in New York.* New York: Bank of America, 1926, p. 37.

[27] *Laws of the State of New York,* 1812, Chap. 78. See also The Bank of America. *A Brief Account of an Historic Financial Institution and its Site.* New York: The Bank of America, 1918, p. 25.

[28] *Laws of the State of New York,* 1812, Chap. 175, sec. 111.

[29] Henry W. Domett. *A History of the Bank of New York, 1784-1884.* New York: Bank of New York, 1884, pp. 65-66. See also *The Early Days of the Bank of New York.* New York: Privately Printed, n. d., p. 17. And Allan Nevins. *History of the Bank of New York and the Trust Company,* 1784-1934, New York, 1934, p. 38.

1813, its charter was extended until the first Tuesday in June, 1832.[30] A provision of the act authorized the Comptroller of the State to subscribe $15,000 of the stock for the benefit of common schools; and the Treasurers of Union and Columbia Colleges might subscribe to $20,000 each and Hamilton College to $15,000.[31]

This act also directed the Comptroller to subscribe for $15,000 of Merchants' Bank stock and $5,000 of Bank of Albany stock, for the use of the common schools and to be paid for out of the Common School Fund.[32]

By an act passed April 13, 1819, entitled "An Act to change and increase the Fund for the support and encouragement of common schools,"[33] shares of various banks with the exception of that of the capital stock of the Merchants' Bank were transferred from the school fund to the general fund in exchange for other securities.[34]

Later, on April 13, 1827, an act which provided that "one hundred thousand dollars of the shares owned by this state in the capital stock of any of the banks at par value thereof, shall be selected by the comptroller and appropriated to the common school fund,"[35] resulted in the transfer of $50,000 Middle District Bank stock and $50,000 Manhattan Bank stock to the school fund.[36] The former became insolvent in a few years and caused a loss to the school fund of $50,000, which was one-half of the amount transferred.[37]

With the creation of the common school fund in 1805,[38] bank stock constituted part of it from its very inception; for in that year Merchants' Bank stock became part of the fund, and in 1806 bank stock constituted $50,000 of the $183,162.96 capital. In 1812 the

---

[30] *Laws of the State of New York,* 1812-1815, Vol. 3. Albany: Websters & Skinners, 1815, Chap. 48, pp. 104-105.

[31] *The Early Days of the Bank of New York,* p. 17; Citations also in Domett, *op. cit.,* p. 66: Knox. *op. cit.,* p. 393; and Callender, *op. cit.,* p 160

[32] *Laws of the State of New York,* 1812-1815, Vol 3. Albany: Websters & Skinners, 1815, Chap. 48, pp. 104-105.

[33] *Laws of the State of New York,* 1819, Chap. 212, p. 274.

[34] *Journal of the Assembly of the State of New York,* January, 1820, p. 286.

[35] *Laws of the State of New York,* 1827, Chap. 228, pp. 237-238.

[36] *Journal of the Assembly of the State of New York,* 1827, p. 27.

[37] *Legislative Documents of the Senate and Assembly of the State of New York,* No. 48, 1830, p. 21. This was the only loss between 1823 and 1836 according to the *Annual Report of the Superintendent of Public Schools of the State of New York,* 1834, p. 13.

[38] Soper, *op. cit.,* p. 18. Also James A. Roberts. *A Century in the Comptroller's Office.* Albany: James B. Lyon, 1897, p. 29

composition of the school fund shows also 300 shares of Hudson Bank stock which with the Merchants' Bank stock comprised $165,000 of the $558,464.69 capital. The dividends on bank stock in the same year were $14,850.00 of the $45,216.95 revenue.[39] The Comptroller's report to the Assembly in 1819[40] shows that of the $11,103,949.09 capital, $261,000.00 was in bank stock distributed as follows:

$180,000 capital stock of the Merchants' Bank (3600 shares)
$15,000 capital stock of the Bank of Hudson (300 shares)
$20,000 capital stock of the Bank of Columbia (50 shares)
$5,000 capital stock of the Mohawk Bank (500 shares)
$21,000 capital stock of the New York State Bank (600 shares)
$15,000 capital stock of the Bank of New York (30 shares)
$5,000 capital stock of the Bank of Albany (12½ shares)

The bank dividends constituted $18,270 of the $70,556.04 revenue from the total school fund. The State had $996,800 invested in twenty-five different banks in that year.[41]

Table IV shows that bank stock dropped to $180,000 in 1819 and continued at that figure until the addition of $50,000 of Manhattan Bank stock and $50,000 of Middle District Bank stock increased the amount to $280,000 in 1827.[42] The increase of $100,000 was in accordance with one of the provisions of an Act of April 13, 1827, whereby $100,000 of bank stock selected by the comptroller was appropriated to the common school fund.[43]. The comptroller's selection of the Middle District Bank stock for transference to the school fund proved unfortunate; for the bank became insolvent shortly after and thereby decreased the school fund by $50,000.[44] Nor was the amount of bank stock augmented, as in some other states, by

---

[39] Thomas E. Finegan. *Free Schools. A Documentary History of the Free School Movement in New York State.* 15th Annual Report of the Educational Dept., Vol. 1. Albany: The University of the State of New York, 1921, pp. 39-40.

[40] *Annual Report of the Comptroller,* Feb. 12, 1819, New York Assembly Document 62, p. 15; also in *Journal of the Assembly of the State of New York,* 1819, p. 410.

[41] Sowers, *op. cit.,* p. 49.

[42] *Journal of the Assembly of the State of New York,* 1828, p. 227. See also the *Annual Report of the Comptroller in Assembly Document 48,* 1830, in *Legislative Documents of the Senate and Assembly of the State of New York,* 1830. *Annual Report of the Superintendent of Common Schools,* 1833, p. 8.

[43] *Laws of the State of New York,* 1827, Chap. 228.

[44] *Legislative Documents of the Senate and Assembly of the State of New York,* Doc. 48, 1830; *Annual Report of the Superintendent of Common Schools,* 1833, p. 8.

investment of some of the Surplus Revenue received from the Federal Government,[45] which upon receipt was loaned on real estate and invested in government bonds,[46] but bank stock decreased in amount until 1845. In that year only the $50,000 of Manhattan Bank stock remained in the fund and continued to be the only bank stock therein.[47]

[45] Bourne, *op. cit.*, p. 86.
[46] *Ibid.*, p. 87.
[47] Three original directors of this bank, Samuel Osgood, Brockholst Livingston and William Edgar, were active in efforts to secure a system of free schools in 1805. Other members of the bank were among the incorporators of the Free School Society. The bank was chartered in 1808.

TABLE IV.

Bank Stock in the New York School Fund.[48]

	1811	1812	1813
Merchants' Bank	$150,000.00	$150,000.00	$180,000.00
Hudson Bank	15,000.00	15,000.00	15,000.00
Bank of Columbia		10,000.00	20,000.00
Mohawk Bank		5,000.00	5,000.00
New York State Bank			$15,000.00
Bank of New York			15,000.00
Bank of Albany			5,000.00
Total Bank Stock	165,000.00	180,000.00	255,000.00
Total Bank Dividends	14,850.00	16,200.00	22,950.00
Total Income	45,216.95([49])	47,612.16	57,248.38
Total School Fund	558,464.69	636,738.07	822,064.94

	1814	1817	1818
Merchants' Bank	180,000.00	180,000.00	180,000.00
Hudson Bank	15,000.00	15,000.00	15,000.00
Bank of Columbia	20,000.00	20,000.00	20,000.00
Mohawk Bank	5,000.00	5,000.00	5,000.00
New York State Bank	30,000.00	24,000.00	21,000.00
Bank of New York	15,000.00	15,000.00	15,000.00
Bank of Albany	5,000.00	5,000.00	5,000.00
Total Bank Stock	270,000.00	264,000.00	261,000.00
Total Bank Dividends	24,300.00	18,480.00	18,270.00
Total Income	57,539,88	68,770.31	70,556.04
Total School Fund	861,457,89	971,364.31	1103,949.09

	1819	1820[50]	1827
Merchants' Bank	180,000.00	180,000.00	180,000.00
Hudson Bank	15,000.00		
Bank of Columbia	20,000.00		
Mohawk Bank	5,000.00		
New York State Bank	21,000.00		
Bank of New York	15,000.00		
Bank of Albany	5,000.00		
Manhattan Bank			50,000.00
Middle District Bank			50,000.00[51]
Total Bank Stock	261,000.00	180,000.00	280,000.00
Total Bank Dividends	12,600.00	10,800.00	14,626.00
Total Income	78,944.56	77,144.56	167,153.66
Total School Fund	1,229,076.00	1215,526.00	1611,096.30

	1833	1835	1837
Merchants' Bank	180,000.00	55,050.00	52,300.00
Hudson Bank			
Bank of Columbia			
Mohawk Bank			
New York State Bank			
Bank of New York			
Bank of Albany			
Manhattan Bank	50,000.00	50,000.00	50,000.00
Middle District Bank			
Total Bank Stock	230,000.00	105,050.00	102,300.00
Total Bank Dividends	15,128.00	6,800.00	6,650.00
Total Income	109,117.77	110,400.00	112,650.00
Total School Fund	1,754,046.84	1,875,191.75	1,918,647.68

	1845	1856	1866
Merchants' Bank			
Hudson Bank			
Bank of Columbia			
Mohawk Bank			
New York State Bank			
Bank of New York			
Bank of Albany			
Manhattan Bank	50,000.00	50,000.00	50,000.00
Middle District Bank			
Total Bank Stock	50,000.00	50,000.00	50,000.00
Total Bank Dividends	4,382.74	5,103.00	6,495.00
Total Income	91,143.75[52]	294,811.66[53]	292,829.08[53]
Total School Fund	2,090,632.41	2,491,916.14	2,799,630.04

[48] Data based on *Annual Reports of the Comptroller in Assembly Journals* to 1828, and in *Assembly Documents* to 1867. Composition of the School Fund may also be seen in various *Reports of the Superintendent of Common Schools.*

[49] $12,500 of this was a bond given by the Mechanics' Bank. See *Laws of the State of New York,* 1811, Chap. 189, pp. 268-269; Also *Assembly Journal,* 1812, p. 86.

[50] By act of April 13, 1819, the other bank stocks were transferred to the general fund and the School Fund received Loans of 1792 and 1808. See *Assembly Journal,* January, 1820, p. 286 and *Laws of the State of New York,* 1819, Chap. 213, p. 274.

[51] This was half the amount transferred to the School Fund by Act of April 13, 1827, and was lost shortly after. See *Annual Report of the Superintendent of Common Schools,* 1834, p. 13.

[52] Exclusive of $165,000 Surplus Revenue.

[53] Includes $165,000 Surplus Revenue.

Chapter V

Virginia

The State of Virginia began its bank investments early and heavily. It was drawing dividends in 1806, and by 1815 had received a total of $333,303.57 in bank dividends.[1] Consequently, it was logical to find the President and Directors of the Literary Fund availing themselves of so good a source of large profits to provide for the education of the poor in pursuance of section 6 of the act of February 20, 1812,[2] which empowered them "to vest in the stock of any bank or banks in this commonwealth, any part of the literary fund . . . ."[3]

The Literary Fund had been created by an act of Feb. 12, 1811,[4] which empowered the president and directors to establish in each county "a school or schools for the education of the poor."[5]

Taking $14,000 of the income of the Literary Fund, they subscribed to 140 shares of the Farmers' Bank of Virginia in 1812.[6] This bank was chartered in 1812 with a capital of $2,000,000, of which 3,334 shares were reserved for the State.[7] In 1816, 56 more shares were subscribed in the same bank, and 891 shares more in 1819, making a total of 1087 shares of stock of the Farmers' Bank of Virginia in the Literary Fund by 1819.[8]

Other banks in which funds of the Literary Fund were invested were the second Bank of the United States, the Bank of Virginia,

---

[1] *Journal of the House of Delegates of the Commonwealth of Virginia,* 1815/16, p. 180.

[2] *Acts Passed at a General Assembly of the Commonwealth of Virginia,* 1811, pp. 16-17.

[3] *Ibid.,* sec. 6.

[4] *Acts Passed at a General Assembly of the Commonwealth of Virginia,* 1810, pp. 8-9. See also A. J. Morrison. *The Beginning of Public Education in Virginia,* 1776-1860. Richmond: Superintendent of Public Printing, 1917, p. 25.

[5] *Acts Passed at a General Assembly of the Commonwealth of Virginia,* 1810, pp. 8-9, section 4. In A. D. Mayo's "Education in Southwestern Virginia." *Report of the Commissioner of Education,* 1890/91. Washington; Government Printing Office, 1894, Vol. 11, Ch. 24, p. 904, education at public expense is referred to as being looked upon then as an arrangement for paupers. In the short space of 8 years, the number of children educated increased from 3,298 in 1822 to 11,799 in 1829. See the *Second Auditors Report on the State of the Literary Fund of Virginia,* 1830, p. 2.

[6] *Journal of the House of Delegates of the Commonwealth of Virginia,* 1812-13, p. 55.

[7] *Acts Passed at a General Assembly of the Commonwealth of Virginia,* 1811, pp. 7-15.

[8] *Journal of the Senate of the Commonwealth of Virginia,* 1819/20, p. 145.

the Northwestern Bank of Virginia, the Bank of the Valley in Virginia, and the Fairmount Bank.

Stock of the James River Canal Company was also an early investment.[9] It was the company of which George Washington proposed in 1796 to devote 100 shares of stock toward an institution of learning.[10]

The investment in the Second Bank of the United States was made in 1818 and 1819 when $94,400 worth of its stock was added to the Literary Fund. In 1824, $65,550 of this was sold.[11]

The Bank of Virginia was incorporated on January 30, 1804, the State subscribing to $300,000 of its capital stock.[12]

Both the Northwestern Bank of Virginia and the Bank of the Valley in Virginia were incorporated by an act of February 5, 1817.[13] Literary Funds were first invested in the former in the fiscal year ending Sept. 30, 1832,[14] and in the latter in the following fiscal year[15]

Although Virginia invested a considerable portion of its share of of the Surplus Revenue in bank stock,[16] none of the latter was put into the Literary Fund. Later some $225,792.93 were transferred to the fund, on which interest was paid for the benefit of schools.[17]

By 1856, the deficits of the State treasury were so great,[18] that the General Assembly, by an act of March 18, 1856, authorized the auditor to sell the shares held by the State in the various banks except those held by the Literary Fund.[19]

---

[9] *See Acts Passed at a General Assembly of the Commonwealth of Virginia,* 1815, pp. 6-7.

[10] A. D. Mayo. "The American Common School in the Southern States During the First Half Century of the Republic, 1790-1840." *Report of the Commissioner of Education,* 1895/96. Washington: Government Printing Office, 1897, Vol. 1, p. 270.

[11] *Journal of the House of Delegates of the Commonwealth of Virginia,* 1831/32, Doc. 4, p. 7.

[12] For detailed discussion of this bank, see George T. Starnes. *Sixty Years of Branch Banking in Virginia.* New York:The Macmillan Co., 1931, pp. 29 on.

[13] *Acts Passed at a General Assembly of the Commonwealth of Virginia,* 1816, pp. 55-70.

[14] *Journal of the House of Delegates of the Commonwealth of Virginia,* 1832/33, Doc. 4, p. 7.

[15] *Idem,* 1833/34, Doc. 4, p. 7.

[16] E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York: E. G. Putnam's Sons, 1885, pp. 118-120; Starnes, *op. cit.,* p. 86.

[17] E. P. Cubberly & E. C. Elliot, *State and County School Administration.* New York: Macmillan Co., 1922, p. 57.

[18] Starnes, *op. cit.,* p. 108.

[19] *Acts Passed at a General Assembly of the Commonwealth of Virginia,* 1855/56, ch. 15, p. 22.

The exigencies of the Civil War affected the Literary Fund immediately. In 1861, an ordinance of the Convention, passed June 26th ordained that "the whole revenue accruing to the Literary Fund, until otherwise provided by law, be and the same is hereby appropriated to the purpose of the military defense of the state. . . ." Consequently, $87,000 of the fund went for defense in 1862, and $89,000 in 1863.[20]

The Literary Fund had a capital of $2,344,714.81 in 1861. Of this, $393,601.72 was in bank stock.[21] In the session of 1865-66, the Governor said only the stock in the Fairmont Bank gave hopes of some returns on the investment. And in the following year he spoke of the Literary Fund as being a myth.[22]

Practically all banks in Virginia went out of business by the end of the Civil War.[23] Among them, the Literary Fund had owned $309,272.32 in bank stock which was lost through the insolvency of the banks at the termination of the Civil War.[24] One of the few to survive, as a bank, was the Northwestern Bank at Wheeling which even celebrated its 125th anniversary in 1942.[25] The $50,000 of Fairmont Bank stock was still in the Literary Fund in 1872.[26]

---

[20] *Journal of the House of Delegates of the Commonwealth of Virginia,* 1863 Doc. No. V, p. 5.

[21] *Idem,* 1865/66, p. 10.

[22] *Idem,* 1866/67. Doc. 10, No. 1, p. 20; See also *Virginia School Report,* 1871, pp. 198-199.

[23] Starnes, *op. cit.,* p. 116; T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso., 1936, p. 52.

[24] *Virginia School Report,* 1871. p. 199.

[25] See its 125th Anniversary publication. M. M. McConnell and Carr Ligget. *Wheeling's First 250 Years.* The National Bank of West Virginia at Wheeling, 1942.

[26] *Virginia School Report,* 1872, p. XI.

TABLE V.

Bank Stock in the Virginia Literary Fund.[27]

	1812	1822	1832
Farmers' Bank of Virginia	$14,000.00	$109,492.75	$112,067.75
Bank of United States		96,400.00	30,850.00
Bank of Virginia		192,013.45	197,922.57
Northwestern Bank			30,000.00
Bank of the Valley			
Fairmont Bank			
Total Bank Stock	14,000.00	397,906.20	370,840.32
Total Bank Dividends		12,688.00	18,549.00
Total Income		80,119.36	71,740.90
Total School Fund	21,705.40	1,212,574.24	1,550,476.85
Spent for Primary Schools		45,000.00	45,000.00

	1833	1837	1838
Farmers' Bank of Virginia	112,067.75	112,067.75	112.067.75[28]
Bank of United States	10,000.00		
Bank of Virginia	203,312.57	203,312.57	203,312.57[28]
Northwestern Bank	50,000.00	50,000.00	50,000.00
Bank of the Valley	5,830.00	10,134.00	10,134.00
Fairmont Bank			
Total Bank Stock	381,210.32	375,514.32	375,514.32
Total Bank Dividends	20,574.10	31,326.00	23,166.00
Total Income	78,340.61	94,731.67	90,464.28
Total School Fund	1,551,857.47	1,391,443.07	1,405,321.82
Spent for Primary Schools	45,000.00	45,000.00	45,000.00[29]

[27] Based on *Letters from the Governor enclosing a Report from the President and Directors of the Literary Fund,* and *Second Auditor's Reports on the State of the Literary Fund.* In *Journals of the House of Delegates.*

[28] By 1838, the Literary Fund had received $118,371.25 in dividends from the Farmers Bank of Virginia, and $213,413.95 from the Bank of Virginia. See *Treasurer's Statement* in *Journal of the House,* 1838, Doc. 47.

[29] $28,170.20 additional from Surplus Revenue.

	1850	1863
Farmers' Bank of Virginia	$102,305.75	$102,305.75
Bank of United States		
Bank of Virginia	146,832.57	146,832.57
Northwestern Bank	50,000.000	50,000.00
Bank of the Valley	10,134.00	10,134.00
Fairmont Bank		50,000.00
Total Bank Stock	309,272.32	359,272.32
Total Bank Dividends	22,405.07	23,676.30
Total Income	97,883.66	91,272.34
Total School Fund	1,533,710.82	1,877,364.68
Spent for Primary Schools	45,674.03	(footnote 30)

[30] The whole revenue accruing to the literary fund was appropriated to the purposes of military defense. In 1862, $87,000 was so appropriated, and in 1863, $89,000 more. See *Second Auditor's Report on the State of the Literary Fund,* for the years 1862 and 1863, p. 5.

Chapter VI.

Maryland

During the period of, and immediately following, the War of 1812, Maryland was in the midst of an extensive system of internal improvements directed toward the construction of canals, roads and bridges to facilitate access to the port of Baltimore. Financial assistance from the State and Baltimore was out of the question because of the drain caused by the war, but there were two sources of financial aid that were discussed.

One was that the State sell the bank stock it owned and use the proceeds to finance the internal improvements. From an early period in its banking history, Maryland frequently followed the policy of reserving for itself in the bank charters the privilege of subscribing at its pleasure to a good portion of the stock at par. Hence when a bank became an established success, the State could subscribe to the stock at par and immediately affect a good profit.[1] In 1803 it took stock in the Bank of Baltimore, chartered in 1795,[2] and later in the Mechanics' Bank of Baltimore and the Union Bank of Baltimore which were chartered in 1804. By 1811, it had stock in all of the Baltimore banks and three county banks.[3] This policy was so profitable to the State that no other sources of revenue were needed until the demands of the War of 1812 became too excessive.[4] Hence the stock was retained[5] and the revenue from that source yielded from $30,000 to $40,000 per year.[6] The post-war depression brought about a decline in dividends to 5% whereas prior to 1808 they were 8%.[7] The decline was due to bank failures and reduction in capitalization.

The second solution was the taxation of banks. From the very outset of the State's banking history, the people were antagonistic to moneyed institutions and insisted that they be heavily taxed in

---

[1] Hugh Sisson Hanna. *A Financial History of Maryland* (1789-1848). Johns Hopkins University Studies in Historical and Political Science, Series XXV, Nos. 8, 9, 10. Baltimore: The Johns Hopkins Press, 1907, p. 40.

[2] *Laws of Maryland,* 1802, Ch. 58.

[3] Alfred Cookman Bryan. *History of State Banking in Maryland.* Johns Hopkins University Studies in Historical and Political Science, Series XVII, Nos. 1, 2, 3. Baltimore: The Johns Hopkins Press, 1899, p. 30.

[4] Hanna, *op. cit.,* p. 41.

[5] Bryan, *op. cit.,* p. 44.

[6] *Ibid.,* p. 33.

[7] Hanna, *op. cit.,* p. 44.

exchange for the special privileges granted them.[8] Attempts at taxation were tried frequently between 1804 and 1813 but without success. However, the bank profits and the appearance of new banks and applications for charters following the expiration of the first Bank of the United States increased the demands for taxation.[9]

During this same period there was a growing demand for a public school system. As early as 1810 this demand was coupled with an unsuccessful effort to tax banks when on November 27, 1810, Mr. Comegys delivered a bill, entitled, "An act to tax bank stock and other moneyed institutions, for the establishment and support of district schools in the several counties of this state, and in the cities of Baltimore and Annapolis."[10]

In 1812 another effort was made to raise funds for public schools.[11] The advocates of bank taxation framed the proposal so as to appeal to the popular demand for a system of public schools and for internal improvements.[12] Various sections of the bill, entitled, "An act to incorporate a company to make a turnpike road leading to Cumberland, and for the extension of the charters of the several Banks in this State, and for other purposes,"[13] state as follows:

Sect. 3. For the purpose of raising a fund to complete said road, BE IT ENACTED, That the charters of the several banks now established in this State, shall be and are hereby extended to the first day of November, eighteen hundred and thirty five, and until the end of the next session of assembly thereafter, upon condition the several banks now established in the city of Baltimore and Washington county, subscribe for as much stock as will raise a fund necessary and sufficient to finish and complete the said road, each bank subscribing in proportion to the amount of capital actually employed, subscribed up or in operation by them; and to be paid or advanced in due proportion to the amount of each bank subscribed, in such periods and at such times as the same may be wanted; and any increase of capital made by any of the said banks, shall at all succeeding payments thereafter, be taken into consideration, and be considered as part of the capital

[8] Ibid., *op. cit.*, p. 35; Bryan, *op. cit.*, p. 44.
[9] Bryan, *op. cit, pp.* 10-77.
[10] *Votes and Proceedings of the House of Delegates of the State of Maryland,* Nov. Session, 1810, p. 37.
[11] Bernard C. Steiner. *History of Education in Maryland.* U. S. Bureau of Education. Circular of Information, No. 2, 1894. Washington: Government Printing Office, 1894, p. 55; Fletcher Harper Swift. *A History of Public Permanent Common School Funds in the United States, 1795-1905.* New York: Henry Holt & Co., 1911, p. 296; A. D. Mayo. "The American Common School in the Southern States During the First Half Century of the Republic, 1790-1840." Report of the Commissioner of Education, 1895/96. Washington: Government Printing Office, 1897, Vol. 1, p. 277.
[12] Hanna, *op. cit.*, pp. 35 and 67.
[13] *Laws of Maryland,* 1812, Chap. 79.

contemplated under this act; and upon the further condition that the said banks in the city of Baltimore and Washington County, and the several banks in this State, shall elect and bind themselves to pay into the treasury of the western shore, the sum of twenty thousand dollars for each and every year during the continuance of their respective charters as aforesaid, under this law; the sum so as aforesaid to be paid by the said banks, shall be in proportion to their respective capitals paid or to be paid in, and which sum as aforesaid shall be and is hereby pledged as a fund for the purpose of supporting county schools . . .

Sect. 10. And Be It Enacted, That if the several banks in this State shall not, on or before the first day of October next, elect and bind themselves to pay to the treasurer of the western shore the said sum of twenty thousand dollars, in the proportion aforesaid, and the said banks in the city of Baltimore and Washington county, shall not, on or before the first day of October next, subscribe for as much stock as will complete the road aforesaid, in the manner prescribed by the act of November session, eighteen hundred and four, chapter fifty-one, then this act shall cease to operate and have effect.

Sect. 11. And Be It Enacted, That should any of the said banks refuse or neglect to come into the terms hereby proposed, the charter of such banks shall not be extended by this act, the benefit and advantage of such extension to be enjoyed only by such banks as comply with the terms herein mentioned.

Sect. 12. And Be It Enacted, That upon any of the banks in this State complying with the condition of this act, the faith of the State is hereby pledged not to impose any further tax or bonus on the said banks, during the continuance of their charters under this act.

Certain provisions were not satisfactory to the banks and were adjusted in a supplementary act,[14] the latter entitled "A supplement to the act entitled an act to incorporate a company to make a turnpike road leading to Cumberland, and for the extension of the charters for the several Banks in this State, and for other purposes," was passed January 27, 1814.[15] Certain sections of the act state as follows:

7. And Be It Enacted, That from and after the first day of January, eighteen hundred and fifteen, and the end of the session of the General Assembly next thereafter, the president, director and company of any incorporated bank in this State shall annually, on the first day of January, after the first day of January, eighteen hundred and fifteen pay, or cause to be paid, to the treasurer of the Western Shore of the State of Maryland, the sum of twenty cents on every hundred dollars of the capital stock of each bank actually paid in, or which may hereafter be paid in . . .

8. And Be It Enacted, That the charters of such of the banks of this State as comply with the provisions and conditions of this act, shall be renewed and

[14] Steiner, *op. cit.*, pp. 55-56. Swift, *op. cit.*, 296.
[15] *Laws of Maryland*, 1813, Chap. 122, pp. 113-117.

continued until the year eighteen hundred and thirty five, and the session of the General Assembly next thereafter ;and such of the said banks as agree to accept of the renewal of their charters upon the terms and conditions herein contained, are required to transmit to the executive of this state a certificate of such their determination, on or before the first day of May next, except the banks created this session, which are hereby allowed to the first of November next, to signify their acceptance or rejection of the same.

9. And Be It Enacted, That the treasurer of the western shore be, and he is hereby directed, from time to time, to invest in stock in the Commercial and Farmers' Bank of Baltimore, and the Mechanics' Bank of Baltimore, for which the state of Maryland is authorized to subscribe in those banks, all such sums of money which he may receive in virtue of this act, together with the dividends arising of such stock, and he is hereby required to keep an account of such stock, which he shall denominate a fund for the establishment of free schools, separately from the rest of the funds of the state of Maryland, and make a report thereof annually to the General Assembly.

10. And Be It Enacted, That the said stock so accumulating is hereby inviolably pledged for the establishment of a general system of free schools throughout the state of Maryland, and shall be used or appropriated for no other purpose whatsoever, and shall be equally divided among the several counties of this state.

11. And Be It Enacted, That upon any of the aforesaid banks accepting of, and complying with the terms and conditions of this act, the faith of the state is hereby pledged not to impose any further tax or burthen upon them during the continuance of their charters under this act; and in case of the acceptance of, and compliance with the provisions of this act, by the several banks hereby required to make the aforementioned road, the faith of the state is further solemnly pledged to the several existing banks in the city of Baltimore, not to grant a charter of incorporation to any other banking institution to be established in the city of Baltimore, before the first day of January, eighteen hundred and thirty-five, and the end of the session of the General Assembly next thereafter.

12. And Be It Enacted, That the said banks specified in the seventh section of this act, should elect so to do, shall be, and they are hereby exempt from the payment of the annual tax hereby imposed, upon condition of their paying to the treasurer of the western shore of the state of Maryland on or before the first day of January, one thousand eight hundred and sixteen, the sum of two hundred thousand dollars to be appropriated in the manner herein before provided for.

The differences between the two acts in so far as public schools are concerned were that each bank was to pay an annual tax of twenty cents upon each $100 of paid-in capital beginning January 1, 1815, rather than an annual tax of $20,000 apportioned among all the banks. The payment of a lump sum of $200,000 would be accepted in lieu of the annual taxes. The fund and dividends therefrom

were to be kept separate and were to be invested in shares of the Commercial Bank, the Farmers' Bank, and the Mechanics' Bank of Baltimore wherein shares were reserved for the State.[16]

An act passed February 14, 1820,[17] entitled "An act relating to the School Fund in the several counties therein mentioned," stated,

> "That the treasurer of western shore be and is hereby directed, to pay annually to the order of the commissioners of the school fund for Talbot, Caroline, Charles, Dorchester, Worcester, Harford, Saint Mary's, Baltimore, Allegeny, Calvert, Montgomery, Cecil, Prince-George's, Somerset, Kent and Queen-Anne's Counties, or their authorized agent, their respective legal proportions of the school fund which may hereafter come into his hands, in lieu of vesting the same in the Commercial and Farmers' Bank of Baltimore, and Mechanics' Bank of Baltimore, as prescribed in the ninth section of a supplement to the act, entitled, An act to incorporate a company to make a turnpike road leading to Cumberland, and for the extension of the charters of the several banks in the city of Baltimore, and for other purposes."

By an act of January 30, 1822, the president and directors of the Hagerstown Bank[18] and of some Baltimore banks were incorporated the Boonsborough Turnpike Road Company[19] by "An act to incorporate a Company to make a Turnpike Road from Boonsborough to Hager's-Town, and for the extension for the Charters of the several banks in the City of Baltimore, and for other purposes."[20] The twenty cents tax for public schools was continued with the provision that release therefrom could be obtained by a payment of $100,000 to the treasurer before January 1, 1833.[21] The money was to be invested by the Treasurer of the Western Shore for the benefit of schools in Maryland.[22]

Similar enactments were passed rather frequently thereafter. The charter of "the Farmers' Bank of Maryland and its branches, the Farmers' & Mechanics' Bank of Frederick County and its branch, and the Frederick County Bank"[23] were extended to 1845 provided "the said banks shall respectively pay to the treasurer of the Western Shore the sum of twenty cents upon the amount of

---

[16] Bryan, *op. cit.*, pp. 45-46; Hanna, *op. cit.*, p. 35.
[17] *Laws of Maryland*, 1820, Chap. 182.
[18] *The Hagerstown Bank at Hagerstown, Maryland.* Hagerstown: Knickerbacker Press, 1910, pp. 50-51.
[19] Bryan, *op. cit.*, pp. 46-47.
[20] *Laws of Maryland*, 1821, Chap. 131, 34-37.
[21] *Ibid.*, Sec. 6.
[22] *Ibid.*, Sec. 9.
[23] *Laws of Maryland*, 1827, ch. 42.

every hundred dollars, subscribed and actually paid in, for each and every year after the year eighteen hundred and thirty-five, during the continuance of the charters of said banks, under this law, which sum shall be, and hereby is pledged by the state as a fund for the purpose of supporting free schools, to be equally divided among the several counties of this state, and paid over in equal portions to such persons in each county, as the Legislature may hereafter appoint,"[24] and subscribed $10,000 to certain road stocks. The Patapsco Bank of Maryland was to pay the school tax and a bonus of $75,000.[25] When in 1835 a general extension of bank charters occurred, the banks were required to pay not only the school tax but also a bonus to the State.[26] The tax is frequently mentioned in bank legislation thereafter.[27]

Not content with taxation of banks, bank bonuses and State ownership of some bank stock, the citizens of various counties presented memorials to the House of Delegates in 1830, praying the establishment of a State bank, founded upon State Funds. The contemplated institution "would yield an annuity of more than a million, and enable the treasury to accelerate the general system of Education and Public Improvement Throughout the State . . ."[28]

L. D. Teackle, Chairman of the Committee on Ways and Means stated that "an amount of income might be derived to meet the instalments of the State, to great improvement of contemplation, to supply the means of *educating the whole of the rising generation . . .*"[29]

---

[24] *Ibid.*, Sec. 10.
[25] *Idem.*, 1834, ch. 210.
[26] *Ibid.*, ch. 277.
[27] For example, see *Laws of Maryland*, 1835, p. 277 (The Franklin Bank); p. 287 (The Commercial Bank); p. 296 (The Farmers' Bank); p. 298 (Eastern Bank of Baltimore); p. 313 (Chesapeake Bank); p. 314 (Citizen's Bank of Baltimore); p. 315 (Farmers' and Planters' Bank); p. 317 (Real Estate Bank); p. 318 (Farmers' and Millers' Bank of Hagerstown); p. 320 (Hamilton Bank); p. 341. (Real Estate Bank of Frederick County). p. 251 (The Mineral Bank).

[28] *Report of Mr. Teackle, Chairman of the Select Committee, upon the Memorials of Sundry Citizens of different counties. Praying the Establishment of a State's Bank, to be founded upon the Invested Money in the Treasury, for the Supply of Revenue and the General Convenience of the People; Made in the House of Delegates of the General Assembly of Maryland, at December Session, 1830.* Annapolis: Jonas Green, Printer, 1831, p. 28.

[29] *Report of the Committee on Ways and Means, upon the Report of the Select Committee to which was referred the Memorial and Petitions of a great number of Citizens of different counties, praying the establishment of a Financial Institution, to be founded upon the invested moneys in the Treasury, for the supply of Revenue and the general convenience and benefit.* Annapolis: Jeremiah Hughs, Printer, 1833, p. 5.

A similar unsuccessful proposal was made in the Massachusetts Legislature in 1836.[30] See Chapter XX, page 148, for this State.

According to a history of the Western National Bank of Baltimore,[31] an institution originally incorporated by an act of March 28, 1836,[32] the requirement was made that "on the first Monday of January, subsequent to the organization of the said bank, and on the same day annually thereafter, the said bank shall pay or cause to be paid to the treasurer of the Western Shore of the State of Maryland, the sum of twenty cents on every hundred dollars of the capital of said bank, then actually paid in, to be applied by said Treasurer in augmentation of the free school fund of the State in the same manner as similar tax, paid by the other incorporated banks of the City of Baltimore, is now applied; and in case of the failure of the said bank to make such payment for the space of six months after the same shall have become payable, this charter shall be forfeited and shall be deemed null and void."[33] And "the said corporation, or the president and director thereof shall in consideration of the corporate privileges hereby granted, pay to the State of Maryland, in addition to the twenty cents on each one hundred dollars, provided for in the preceding section, a bonus of eighteen thousand seven hundred and fifty dollars, equal annual payments, the first of said payments to be made within thirty days after the said bank shall have gone into operation, and a further bonus on the capital which the said bank shall at any time have over and above the sum of five hundred thousand dollars, at and after the rate of three dollars and seventy-five cents on each one hundred dollars therof, and which bonus shall be paid on the first day of January next, after such capital stock shall have been received by the said bank."[34]

President Jackson's veto of the recharter of the Second Bank of the United States, which was anticipated as early as 1830, was an important cause of the bank expansion that took place between 1829

---

[30] *An Exposition of Facts and Arguments in Support of a Memorial to the Legislature of Massachusetts, by Citizens of Boston and Vicinity, in favor of a Bank of Ten Millions,* Second Edition. Boston: Dutton and Wentworth, State Printers, 1836.

[31] *A Brief History of a Bank.* Baltimore: The Western National Bank of Baltimore, 1938, pp. 68-15.

[32] *Ibid.,* pp. 58-68; *Laws of Maryland,* 1836, Chap. 287.

[33] *Laws of Maryland,* 1836, Chap. 287, Sec. 10.

[34] *Ibid.,* Sec. 11.

and 1836 in the form of increased capital and especially in an increase of new banks. Whereas no banks had been chartered between 1818 and 1829, seventeen new charters were granted and two old banks revived in the period between 1829 and 1836.[35] Exclusive of the capital of five newly chartered banks which did not open, there was an increase of $4,878,900 in bank capital.[36] Since they were subject to the school tax, it was a benefit to the school fund.

The effects of the Panic of 1837 made itself felt in the failure of three banks, the temporary insolvency of a fourth, and the voluntary reduction of capital which combined amounted to $2,325,395.[37] This reduced the capital subject to the school tax. Fortunately the interest on $681,387.25 of the $955,838.25 received by Maryland according to the Distribution of Surplus Revenue act was devoted to common-school education[38] and thus provided $34,069.36 annually for that purpose.[39]

A unique feature in the use of banks to promote education was the taxation of paper money issued by savings banks in Maryland. Some of them were taxed on the capital paid in.

On February 25, 1850,[40] the Fredericktown Savings Institution was given authority "to issue promissory notes to an amount not exceeding thirty thousand dollars, in sums not less than five dollars,"[41] and was required to pay "twenty cents on every hundred dollars of the notes that may be issued under the provisions of this act, for the augmentation of the free school fund of this State."[42]

On March 8, 1860,[43] the Franklin Savings Bank was authorized to issue promissory notes in denominations of not less than $5,[44] and was required to pay the Treasurer twenty cents on every hundred dollars of the notes issued, for the increase of the free school fund.[45]

---

[35] For list and nominal capital of these banks see: Bryan, *op. cit.*, pp. 77-78.
[36] *Ibid.*, p. 77.
[37] Bryan, *op. cit.*, pp. 104-107.
[38] *Laws of Maryland,* 1836, Chap. 220; *Idem,* 1837, Chap. 173.
[39] Bourne, *op. cit.*, pp. 72-73; E. P. Cubberly & E. C. Elliot. *State and County School Administration.* New York: Macmillan Co, 1922, p 54
[40] *Laws of Maryland,* 1849, Chap 325.
[41] *Ibid.*, Sec. 1.
[42] *Ibid.*, Sec. 7.
[43] *Idem,* 1860, Chap. 317.
[44] *Ibid.*, Sec. 1.
[45] *Ibid.*, Sec. 4.

A few other savings banks that issued notes were the Fell's Point,[46] the Cumberland,[47] the Howard Street,[48] the Manchester,[49] and the Old Town.[50]

The passage of the National Bank Act, otherwise known as "An Act to provide a national currency,"[51] did not at first affect the Maryland banks; but an act of March 3, 1865[52] by which all state bank notes were taxed at 10 percent, beginning on July 1, 1866, drove nearly all the state banks into the National Bank System.

This matter was of great concern to Maryland, not only because of the State's large holdings of bank stock,[53] but because the State's system of free public education was dependent on the bank tax as its chief source of revenue, which since the act of 1813 yielded from $30,000 to $40,000 annually.[54] It yielded as high as $69,179.31 in 1840,[55] and $77,717.67 in 1843[56] but declined thereafter.

Since Maryland had lost a former case against banks in the McCulloch vs. Maryland case, legal enforcement of the bank tax was not enticing. However, conversion into National banks was provided for by an enabling act of March 24, 1865.[57]

The National Bank System brought two big changes in the Maryland School Fund.

First, the bank tax declined suddenly as the following figures show:[58]

Year	Bank Tax	Bank Dividends	Total Receipts	Distributed for Schools
1861	$25,416.41	$ 9,559.88	$ 99,421.55	$ 86,488.60
1862	25,689.08	7,956.34	103,591.43	61,724.94
1863	36,193.64	8,456.54	137,520.90	100,521.92
1864	21,031.28	8,667.80	112,697.87	85,280.40
1865	25,118.39	17,196.13	87,132.83	70,776.96
1866	9,046.00	16,217.91	70,082.22	106,256.79
1867	3,805,08	13,141.19	61,773.42	66,406.13
1868	6,034.18	13,854.21	76,712.00	67,143.13
1869	3,713.17	13,631.31	62,168.09	72,089.10

[46] *Idem*, 1844, Chap. 82.
[47] *Idem*, 1849, Chap. 325.
[48] *Ibid.*, Chap. 456.
[49] *Idem*, 1860, Chap. 221.
[50] *Ibid.*, Chap. 131.
[51] *U. S. Statutes*, Vol. 12, p. 665.
[52] *Idem*, 13, p. 484.
[53] Bryan, *op. cit.*, p. 130.
[54] *Ibid.*, p. 48.
[55] *The Annual Report of the Treasurer of the Western Shore of Maryland*, 1840, p. 24.
[56] *Idem*, 1843, p. 34.
[57] *Laws of Maryland*, 1865, Chap. 144.
[58] *Annual Reports of the Comptroller of the Treasury Department of Maryland* and *Maryland Senate Documents*.

In 1866, the tax dropped to $9,046, and the comptroller in commenting on the loss attributed it as "caused by the failure of the majority of the banks which had been reorganized as National Banks under the Act of 1865, chapter 144, to pay the School tax of twenty cents on every hundred dollars of their capital stock. A demand was made upon the banks for the payment of this tax as contemplated by the Act of 1855, but it was complied with only in a few cases."[59]

By 1867 the bank tax dropped to $3,805 and payment of the tax was generally refused.[60] The comptroller in his report for the fiscal year ending September 30, 1867 states that, "It will be perceived that the receipt on account of the Free Schools had decreased, as compared with former years, caused by nearly all of the banks of the State being converted into National Banks and refusing or failing to pay the twenty cents tax on each one hundred dollars of their capital stock, as a 'bonus' on their charters as State Banks."[61]

"None of the National Banks has paid during the last fiscal year; not being dependent on the State for their charters, it is doubtful whether the law could be enforced. Such is the opinion of the Attorney General."[62]

The demand may account for the small increase to $6,034.18 in 1868. However, the Comptroller in his following report[63] states that "It will be perceived that only two National Banks, viz: the Western National Bank of Baltimore and the First National Bank of Frostburg, have paid the 20 cts. tax on the one hundred dollars of their capital stock. In obedience to Resolution No. 4 and Chap. 239 of 1868, I made a demand on all the 'National Banks of the State', and on their refusal or failure to pay the tax, I have requested the Attorney General to institute such proceedings as will bring the matter to an issue and definitely settle the question."

In 1869, the bank tax receipt amounted to $3,713.17. The report of the Comptroller states that a recent decision of the Supreme Court of Baltimore City to test the question of liability for the tax was in favor of the banks.[64]

---

[59] *Annual Report of the Comptroller of the Treasury Department of Maryland,* 1866, pp. 13-14.
[60] *Idem.,* 1867, pp. VI and 10 (Statement E).
[61] *Ibid.,* p. VI.
[62] *Ibid.*
[63] *Idem,* 1868, p. VIII.
[64] *Ibid.,* pp. 6, 33-34.

Second, Maryland decided to sell its State Bank stock. An act of February 8, 1866[65] authorized "the Governor, Comptroller and Treasurer to dispose of all Bank Stocks held by the State, and to invest the proceeds thereof" in bonds of the State.

The amount realized from the sales of bank stock, held by the State, in 1866 for the fiscal year ended Sept. 30, 1866 was as follows:[66]

Title of Corp.	No. Shares	Par Value	Am't realized
National Bank of Balto	1,740	$174,000.00	$181,161.65
Farmers' & Mer. Bank Balt.	300	12,000.00	13,156.87
Mechanics' Nat'l Bank Balt.	3,100	46,500.00	64,064.55
Com. & Far. Nat'l B'k Balt.	650	21,666.66	26,685.00
Easton National Bank	1,200	30,000.00	32,400.00
Marine Bank Baltimore		10,000.00	10,755.00
Hagerstown Bank	1,000	20,000.00	20,687.50
Union Bank of Maryland	424	31,800.00	31,803.10
Franklin Bank Baltimore	600	7,500.00	7,503.20
Union Manufacturing Co.	200	10,000.00	10,382.50
Far. Nat. B'k of Annapolis	626	18,780.00	19,264.14

The Comptroller's report for 1867[67] shows $9,484 realized from further sales of stock of the Farmers' National Bank of Annapolis, and $35,895.50 from sales of stock of the Central National Bank of Frederick.

---

[65] *Laws of Maryland*, 1866, ch. 170.

[66] *Annual Report of the Comptroller of the Treasury Department for the Fiscal Year Ended Sept. 30, 1866*, Statement F.

[67] *Idem*, 1867, p. 12.

Chapter VII.

New Jersey

New Jersey's use of banking institutions to provide means for the promotion of public schools began in 1816 by an act of February 9, whereby the dividends from the State's shares in the Trenton Banking Company and the money received in payment of the funded debt of the United States were to constitute the $15,000 investment in six percent United States Bonds which were set aside as the foundation of a fund for public schools.[1]

New Jersey had shown an interest in bank bonuses, investments and taxation, prior to their use for public education. In 1804 it chartered the Newark Banking and Insurance Company and the Trenton Banking Company.[2] The State provided for the sale of its right to subscribe to stock in the former[3] and received thereby a $1,482 bonus.[4] It took no bonus from the Trenton Banking Company but reserved for itself the right to subscribe for 1200 shares as stipulated in section twelve of the act of December 3, 1804[5] which chartered the institution:

"Twelfth, That the State may at any time subscribe and become a stockholder to any amount not exceeding sixty thousand dollars, being the amount of twelve hundred shares of the original capital, and for which the right of subscribing is hereby reserved to the State, and in case the state shall subscribe the number of shares aforesaid the state shall have the exclusive right to appoint annually three of the directors of said company, or one for every four hundred shares they shall subscribe, to continue so long as the state shall hold the said shares."

The provisions of the foregoing section were carried out by an act passed November 3, 1810, entitled "An Act authorizing the treasurer of this state to subscribe to the capital stock of the Trenton Banking Company."[6] In compliance with this act, a subscription

---

[1] *Public Acts of the General Assembly of the State of New Jersey,* Jan. 1816, pp. 21-22; *Annual Report of the State Board of Taxation of the State of New Jersey,* 1893, p. 43.

[2] *Acts of the General Assembly of the State of New Jersey,* 1804, pp. 482 and 449; Committee of the Board of Directors. *The Trenton Banking Company,* Trenton, 1907, p. 31.

[3] *Acts of the General Assembly of the State of New Jersey,* 1804, p. 482.

[4] *Votes and Proceedings of the General Assembly of New Jersey,* 1832, p. 178.

[5] *Acts of the General Assembly of the State of New Jersey,* 1804, pp. 449-460.

[6] *Idem,* 1810, p. 250. Paul G. Tomlinson. *A History of the Trenton Banking Company, 1804-1929.* Trenton, 1929, pp. 118-119.

was made on January 2, 1811, and was followed up on January 30, 1812, by a second subscription for eight hundred shares. On January 27, 1813 it was in turn followed by a subscription to the last two hundred of the twelve hundred shares reserved for the State.[7]

Two other instances were in 1807 when the $4,000 bonus was received from the Jersey Bank in exchange for the right to subscribe for stock in the bank,[8] and in 1809 when $6,000 was received from the Bank of New Brunswick as a result of an appointment of a committee to sell the right.[9] In 1812, Section 3 of an act of January 28, 1812, entitled "An Act to establish State-Banks in New Jersey," provided for the establishment of the State banks at Camden, Trenton, New Brunswick, Elizabeth, Newark and Morris, the State reserving one-half of their capital stocks.[10]

An act of February 15, 1813, authorized the governor to sell the rights reserved by an act of January 28, 1812.[11] The amounts received by this act were as follows: State Bank at Camden, $25,000; State Bank at New Brunswick, $7,000; State Bank at Elizabeth, $2,625.50; State Bank at Newark, $4,025; State Bank at Morris, $1,000; and State Bank at Trenton, $1,601.[12]

It was probably due to James Parker that the State sold its rights to the reserve stock rather than just gave them away.[13] The increased wealth of the Treasury from the sales in 1813 gave Parker another opportunity to ask the State to appropriate money for free schools.[14] He had made a similar proposal in 1809.

In 1816 the foundation of the school fund was established by an act of February 9. This act provided that the State's dividends from the Trenton Banking Company stock and the proceeds from the payment of the funded debt of the United States be invested in

---

[7] *Committee of the Board of Directors, op. cit.*, p. 33.
[8] *Acts of the General Assembly of the State of New Jersey*, 1807, pp. 73-74.
[9] *Idem*, 1809, p. 203.
[10] *Public Acts of the General Assembly of the State of New Jersey*, Jan. 1812, pp. 4-5; Philip L. Kleinhans. *Down through the Years. The Story of the National Bank at Elizabeth, New Jersey*, n.p. 1938, p. 3: Committee of the Board of Directors, *op. cit.*, pp. 31-32.
[11] *Public Acts of the General Assembly of the State of New Jersey*, Feb. 1813, pp. 19-24; Kleinhans, *op. cit.*, p. 46.
[12] *Votes and Proceedings of the General Assembly of New Jersey*, 1832, pp. 178-180.
[13] Hon. Richard S. Field. *Address on the Life and Character of the Hon. James Parker.* Newark: Daily Advertiser Office, 1869, pp. 5-6. The address is also in *New Jersey Historical Society Proceedings*, Series 2, Vol. 1, p. 109.
[14] *Votes and Proceedings of the General Assembly of New Jersey*, 38th Assembly, 1 Session, 1813, p. 22.

six percent United States bonds to the amount of $15,000, this fund to be for the use of the State.[15]

The next year an act of February 12, 1817 created a fund for the support of free schools by setting apart among other things the Trenton Banking Company stock and its accumulations under Act of 1816, the dividends on the State's Cumberland Bank stock and one-tenth of the amount raised by State tax.[16]

The amount of the fund was increased in 1818 by an act of February 12 which augmented the fund by the sum of $113,238.78 and included, among other things, 40 shares ($2,000) of Cumberland Bank stock and 1,200 shares ($36,000) of Trenton Banking Company stock.[17] The last was the largest single item in the fund.

The various legislative appropriations that augmented the principal of the school fund between 1818 and 1829 consisted almost entirely of bank shares, bank bonuses, or bank taxes.

By the provisions of "An act to establish the Sussex Bank, at Newton, in the County of Sussex,"[18] the state was to receive twenty shares ($1,000) as a bonus on the first thousand shares of bank stock.[19] The shares were accordingly received by the State[20] and were soon incorporated into the school fund.

Likewise, in the act of December 11, 1824, entitled "An Act to establish a Peoples' Bank of Paterson,"[21] section 16 stated.

> "That the said company shall pay to the treasurer of this state, before it shall commence banking operations, the sum of four thousand dollars, to be appropriated by him to the school fund; and further, shall pay annually into the treasury the sum of one half of one percent on the capital sum subscribed, and which shall be paid in; to be collected in case of default in the manner prescribed in the act entitled "An act to tax Bank stock," passed the second day of November, one thousand eight hundred and ten, or according to any other legal provision in such case."[22]

---

[15] *Public Acts of the General Assembly of the State of New Jersey,* Jan. 1816, pp. 21-22.

[16] *Public Acts of the General Assembly of the State of New Jersey,* 1816/17, pp. 26-27; *Annual Report of the State Board of Taxation of the State of New Jersey,* 1893, p. 43.

[17] *Public Acts of the General Assembly of the State of New Jersey,* 1817, pp. 100-104; *Annual Report of the State Board of Taxation of the State of New Jersey,* 1893, p. 43.

[18] *Private and Temporary Acts of the General Assembly of the State of New Jersey,* Jan. 1818, p. 49.

[19] *Ibid.,* Sec. 3, p. 50.

[20] *Votes and Proceedings of the General Assembly of New Jersey,* 1829, p. 94; *Idem,* 1832, pp. 178-179.

[21] *Acts of the General Assembly of the State of New Jersey,* 1824, p. 24.

[22] *Ibid.,* p. 42.

The bonus of $4,000 was received September 26, 1825.[23]

A few days after the act was passed that established the Peoples' Bank of Paterson, an act of December 28, 1824, incorporated the Monmouth Bank, which provided, among other things,

"That the said president and directors of the Monmouth Bank within ninety days after they commence their banking operations shall pay or cause to be paid to the treasurer of this state, two percent on their capital stock, and the one-half of one per cent, annually, all of which shall be applied to the benefit of the school fund; and further, this charter may remain and continue in force, for the term of twenty-one years; subject, nevertheless, to be altered, amended or repealed at the discretion of the Legislature."[24]

This act specifically set aside the bank tax in this specific instance for the benefit of the school fund. By virtue of this act the school fund should have received a bonus of $4,000; but due to an early insolvency, it received only $800[25] on June 9, 1825 and a tax of $200 in each of the years 1826, 1827, 1828.[26] This act increased the fund by $2,200 in 1826, $2,200 in 1827 and $3,200 in 1828.[27]

Another bank incorporation of 1824 appeared as though it was going to give the school fund a big boost. By an act of December 29, 1824, entitled "An act to incorporate the New Jersey Protection and Lombard Bank,"[28] it was provided, "That this act and grants herein before mentioned, are upon the express condition, that the shares of twenty-five thousand dollars be paid to the treasurer of this state, in thirty days from and after commencing the operations of said company as a consideration for granting this charter, the same to be appropriated to the school fund."[29]

On May 21, 1825, $30,000 worth of shares and a bond of David McLaren were accepted as guarantees of the payment of the $25,000. However, the sudden insolvency of both the bank and McLaren deprived the school fund of $25,000.[30]

An act of March 5, 1828, entitled "An Act to augment the fund for the support of free schools,"[31] repealed the act of December 28, 1824, which set aside for schools one tenth of the taxes raised for

---

[23] *Votes and Proceedings of the General Assembly of New Jersey,* 1825, p. 35; *Idem,* 1829, p. 92; *Idem,* 1832, p. 178.
[24] *Acts of the General Assembly of the State of New Jersey,* 1824, pp. 125-126.
[25] *Votes and Proceedings of the General Assembly of New Jersey,* 1829, p. 94. *Ibid.,* 1825, p. 118.
[26] *Idem,* 1825, p. 118.
[27] *Idem,* 1829, p. 94.
[28] *Acts of the General Assembly of the State of New Jersey,* 1824, p. 140.
[29] *Ibid.,* Sec. 19.
[30] *Votes and Proceedings of the General Assembly of New Jersey,* 1829, p. 95.
[31] *Acts of the General Assembly of the State of New Jersey,* 1827, p. 172.

the State, [32] and in lieu thereof transferred to the school fund the tax from banking, insurance and other incorporated companies.[33] In January, 1829 that tax amounted to $11,709.58 and was estimated to yield $10,000.00 annually.[34]

The tax on bank stock was provided by an act of November 2, 1810, and states as follows:[35]

"Sec. 1. Be It Enacted by the council and general assembly of this state, and it is hereby enacted by the authority of the same, That the president and directors of "the Newark banking and insurance company"; the president and directors of the branch of the Newark banking and insurance company established at the city of Jersey, and commonly called "the Jersey bank"; the president and directors of "the Trenton Banking company"; and the president and directors of "the New Brunswick bank". be and they are hereby respectively required to pay or cause to be paid into the treasury of this state, on or before the first day of January next, and on or before the first day of January in every year thereafter, the one half of one percent upon the whole amount of capital stock actually subscribed and paid in to such bank or company."

2. And Be It Enacted, That in case of the neglect or refusal of the president and directors of either of the said companies to pay or cause to be paid into the treasury of the state, the amount of tax levied upon such company by this act, for the space of thirty days after the annual period in the first section of this act prescribed, it shall be the duty of the treasurer of this state to make return to one of the justices of the supreme court of the amount of the tax levied as aforesaid and unpaid, whose duty it shall be to issue a warrant under his hand and seal, in the name of the treasurer of the state, directed to the sheriff of the county where the goods, chattels, lands, tenements and hereditaments and real estate of such deliquent company are situated, requiring him to levy the tax so in arrear with interests and costs, by distress and sale of the personal and real estate of such delinquent company, who shall proceed to make, levy and sale thereof as in other cases, where executions issue against personal and real estate, and shall pay the amount levied to the treasurer of the state, and in default thereof shall be proceeded against in the manner prescribed by the act entitled "An act concerning sheriffs."

The Trenton Banking Company memorialized against the bill as "an encroachment on chartered rights and unequal in operation."[36] Meetings among the banks were held in opposition to payment of the tax but the opposition gradually died down.[37]

---

[32] *Idem*, 1824, p. 1.
[33] *Idem*, 1827, p. 172, Sec. 1.
[34] *Votes and Proceedings of the General Assembly of New Jersey*, 1829, pp. 94 and 96.
[35] *Acts of the General Assembly of the State of New Jersey*, 1810, pp. 244-245; Quoted also in Tomlinson, *op. cit.*, pp. 116-117.
[36] Committee of the Board of Directors, *op. cit.*, p. 35.
[37] Charles G. Rockwood, *One Hundred Years. The National Newark Banking Company, 1804-1904*, p. 13 Newark: National Newark Banking Co., 1904.

The total appropriations by 1828 amounted to $144,240.15[38] of which at least a third was bank stock, bank bonuses and bank taxes, as follows:

Trenton Banking Company dividends since 1816.
Cumberland Bank dividends since 1816.
Trenton Banking Co. stock ($36,000)
Cumberland Bank stock ($2,000)
Sussex Bank stock ($1,000)
Bonus - Peoples Bank at Paterson ($4,000)
Tax on Monmouth Bank ($600)
Bank tax ($11,709.59) [39]
Bonus - Monmouth Bank ($800)

An advantage in the management of the school fund was a law that provided for the investment of the school fund in advance.[40] This law of February 18, 1819,[41] provided.

Sec. 1. Be It Enacted by the Council and General Assembly of this State, and it is hereby enacted by the authority of the same, That the trustees for the support of free schools, shall, immediately after the passing of this act, cause to be invested for the benefit of the fund for the support of free schools, the sum of eight thousand dollars in anticipation of the monies, receivable into the treasury during the present year, to the use of said fund, which sum the treasurer is hereby authorized and directed to pay out of any monies in his hands, not otherwise appropriated.

Sec. 2. And Be It Enacted, That the said trustees shall, on or before the first day of March, in every year hereafter, cause in like manner to be invested for the benefit of said fund, an amount as near as may be, equal to the estimated receipts into the treasury on account of the same, during such year, to be advanced by the treasurer as aforesaid.

Sec. 3. And Be It Enacted, That the treasurer shall pay the monies to be invested as aforesaid, upon a warrant to be drawn by the governor or person administering the government, for that purpose, and the amount of all such advances shall be repaid to the treasury out of the monies received on account of the school fund from time to time, during the present or any other year wherein such investment shall be made, in advance as aforesaid.

New Jersey received $764,670.60[42] Surplus Revenue in accordance

---

[38] *Votes and Proceedings of the General Assembly of New Jersey,* 1829, p. 94.
[39] Estimated to yield $10,000 yearly.
[40] *Votes and Proceedings of the General Assembly of New Jersey,* 1829, p. 95.
[41] *Public Acts of the General Assembly of the State of New Jersey,* October, 1818, pp. 27-28.
[42] Morse and Anderson. *State Federation of District Boards of Education.* Trenton, 1928, p. 19. E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York: E. G. Putnam's Sons, 1885, p. 83; E. P Cubberley and E C. Elliott. *State and County School Administration.* New York: MacMillan Co., 1922, p. 55.

with a federal act of June 23, 1836.[43] By an act of March 10, 1837 it was appropriated among the counties to be managed for the benefit of the schools.[44] It was later used principally to erect county buildings and to pay war bounties although some of the counties did compensate the schools by raising a similar amount of interest through taxation.[45]

An act of November 26, 1821,[46] authorized and empowered the trustees for the support of free schools "to invest, at their descretion, all money in the school fund, whether principal and interest, in public stock, bank stock, or a private security, until otherwise directed by the legislature."

The treasurer must make a statement annually to the board of trustees for the support of free schools, on the first day of the stated annual meeting of the legislature, "a particular statement of the school fund, containing an account of the stocks and all other securities belonging to said fund with dates of their investment, their value, and the interest arising from each denomination of stock and other securities together with the amount of moneys in the Treasury belonging to said fund."[47]

Although a petition praying a distribution to the counties and townships of the income of the school fund "for the purpose of establishing schools therein" was made in 1825,, the committee to whom the question was referred thought the income "too small to answer any good purpose, and that the purpose for which the said funds were raised would be better served by suffering it to accumulate a few years longer . . ."[48]

On reply to a similar resolution in 1827, the committee still felt the sum insufficient for distribution and recommended that the whole of the bank tax be appropriated towards increasing the school fund.[49] Accordingly by an act of March 5, 1828, all the bank taxes were transferred to the fund for free schools.[50]

---

[43] *U. S. Statutes at Large*, Vol. V, p. 55.
[44] For detailed account see Morse & Anderson, *op. cit.*, p. 19 on.
[45] Bourne, *op. cit.*, p. 86.
[46] *Acts of the General Assembly of the State of New Jersey*, 1821, p. 10.
[47] *Ibid.*
[48] *Votes and Proceedings of the General Assembly of New Jersey*, 1825, pp. 150-151.
[49] *Idem*, 1827, p. 264.
[50] *Acts of the General Assembly of the State of New Jersey*, 1827, p. 172.

It was not until 1829 that the first expenditure was authorized to be made out of the fund.[51] An act of February 24, 1829, entitled "An act to establish schools," provided that the trustees should on or before the first Monday of April, each year, appropriate $20,000 to be apportioned among the counties in proportion to the taxes paid to them.[52]

The fund amounted to $245,204.47 on October 29, 1829 and it was felt that the interest, dividends and bank tax would bring sufficient returns without being affected by the $20,000 distribution.[53]

In 1830, a supplementary act of March 1st directed the counties to apportion the money among the townships in ratio to the county tax paid by them.[54]

The acts of February 21, 1829, and of March 1, 1830, were repealed by an act of February 16, 1831 which was in turn superceded by an act of 1838. This act increased the appropriation to $30,000 to be distributed to the counties in proportion to taxes they paid for the support of the State government and the counties in turn apportioned it to the townships in proportion to the county tax paid by them.[55]

By an act of March 14, 1851,[56] the sum was increased to $40,000; and in 1867, by an act of March 21, the State provided that $60,000 should annually be appropriated to the fund for distribution in addition to the $40,000 distributed from the income of the fund itself, making in all $100,000.[57]

The introduction of the National Bank System and particularly the federal imposition of a ten percent tax on notes of non-federal banks issued by banks, effective after August 1, 1866[58] made it necessary not only for practically all State banks either to wind up their affairs or to convert to national banks, but the State found it necessary to repeal the State bank tax.[59]

The effects of the 10% tax were particularly noticeable in the case of the New Jersey School Fund. New Jersey had appropriated

---

[51] *Votes and Proceedings of the General Assembly of New Jersey,* 1829, p. 94.
[52] *Acts of the General Assembly of the State of New Jersey,* 1828, pp. 105-106.
[53] *Votes and Proceedings of the General Assembly of New Jersey,* 1829, p. 99.
[54] *Acts of the General Assembly of the State of New Jersey,* 1829, p. 119.
[55] *Idem,* 1837, p. 246.
[56] *Idem,* 1851, p. 268.
[57] *Idem,* 1867, p. 377.
[58] *U. S. Statutes at Large,* Vol. 13, p. 484, Sec. 6.
[59] *Annual Report of the Comptroller of the Treasury of the State of New Jersey,* 1866, p. 24. See p. 6 of his *Annual Report of 1865;* also, *Acts of the General Assembly of the State of New Jersey,* 1866, p. 1091.

its bank tax since 1829 to the fund in which the tax was an item of big importance, as Table VI, p. 63, will show.

In his annual report of 1866,[60] the Comptroller of the Treasury stated that, "Last year eighty thousand dollars were appropriated to public schools, forty thousand dollars of which were to be contributed by the school fund . . ."

"But the School Fund could not pay from its revenue the amount assigned to it by the Statute, and the deficiency of four thousand dollars was made good from the State Treasury. The reason for this deficiency is patent. Two years since there were fifty-five banks doing business in New Jersey, either under special charters or under the general banking law; at the date of the last report, from this office, but nine survived, the others under the enabling act of 1865, had either commenced operations under the national banking law or had surrendered their charters. Now these fifty-five banks had all paid tribute to the school fund, the general law banks paying one-quarter of one percent annually upon their capital to the fund, and the special banks one-half of one percent in the same direction. In 1865 the amount received was forty thousand eight hundred and thirty-three dollars and fifty-eight cents ($40,833.58) in 1866 but six thousand dollars and sixty-two cents ($6,000.62) showing a clear loss to the fund in one year of thirty-four thousand eight hundred and thirty-two dollars and ninety-six cents ($34,832.96)."

[60] *Annual Report of the Comptroller of the Treasury of the State of New Jersey,* 1866, p. 9; See also the *Annual Report of New Jersey State Board of Education,* 1866, p. 5.

TABLE VI.

New Jersey Bank Tax in Comparison to Amount Paid to Counties for Schools.[61]

Year	Bank Tax	Paid to Counties for Schools
1829	$11,709.58	$20,000.00
1830	10,108.57	20,000.00
1831	10,410.57	20,000.00
1832	11,118.77	20,000.00
1833	11,585.44	20,000.00
1834	11,536.86	20,000.00
1835	13,285.66	20,000.00
1836	19,437.60	20,000.00
1837	22,244.92	20,000.00
1838	23,296.44	30,000.00
1839	24,432.44	30,000.00
1840	24,153.72	30,000.00
1841	24,344.32	30,000.00
1842	18,997.96	30,000.00
1843	17,821.67	30,000.00
1844/45	35,895.86	30,000.00
1845	17,949.48	30,000.00
1846	18,207.58	30,000.00
1847	17,707.58	30,000.00
1848	17,887.62	30,000.00
1849	17,928.15	30,000.00
1850	17,802.71	40,000.00
1851	18,700.96	40,000.00
1852	21,292.79	40,000.00
1853	23,836.99	40,000.00
1854	25,502.19	40,000.00
1855	26,054.72	40,000.00
1856	27,201.85	40,000.00
1857	31,225.43	40,000.00
1858	35,168.08	40,000.00
1859	37,333.46	59,401.22
1860	36,232.59	51,755.66
1861	37,821.64	57,069.10
1862	38,265.79	54,018.47
1863	38,569.76	47,833.06
1864	39,352.50	55,765.92
1865	40,833.58	80,000.00
1866	6,000.62	80,000.00

[61] Based on *Treasurer's Reports.*

TABLE VII.

Bank Stock in the New Jersey School Fund.[62]

Banks	1817	1820	1822	1825
Trenton Banking Co.	36,000	36,000	36,000	40,389
Cumberland	2,000	2,000	2,000	2,000
Newton		1,000		
Sussex			600	600
Protection & Lombard				25,000

	1826	1828	1829	1865[64]
Trenton Banking Co.	40,389	39,990[63]	3,990	6,300
Cumberland	2,000	2,000	2,000	
Newton				
Sussex	600	1,000	1,000	
Protection & Lombard				

[62] See *Treasurer's Reports* in *Votes and Proceedings of the General Assembly.*

[63] Thirty-six thousand dollars worth of this issue was sold Mar 4, 1828. See *Treasurer's Report, Votes & Proceedings,* 1828.

[64] The Cumberland Bank stock and the Sussex Bank stock were sold during the fiscal year.

Chapter VIII

Georgia

In Georgia, the act creating a fund for the support of free schools contains a provision therein for the investment of that fund in bank or other profitable stock.[1] Portions of this act of December 18, 1817,[2] are quoted herewith:

"Whereas, it is universally acknowledged, that in all well-regulated governments, and particularly that form of government under which we have the happiness to live; the education of youth, and the general advancement of useful knowledge, are objects of primary importance: And whereas, the present system of education in this State is not well calculated for the general diffusion and equal distribution of useful learning.

"3. Sec. 1 Be it therefore enacted, &c. That from and immediately after the passage of this act, the sum of two hundred and fifty thousand dollars be, and the same is hereby set apart and appropriated for the future establishment and support of Free Schools throughout this State; *Provided, that nothing contained herein shall prevent a future general assembly from repealing the whole, or any part of the above recited law.

"Sec. 11. It shall be the duty of his excellency the governor, so soon as a favorable opportunity may occur, to invest the above sum in bank or other profitable stock."

Authorization for the investment of $100,000 of this fund in bank stock was provided for by an act of Dec. 18, 1819,[3] which stated:

"That his excellency the governor be, and he is authorized and required to vest in said stock (of the Bank of Darien) the sum of one hundred thousand dollars of the fund heretofore set apart for the establishment and support of free schools; and that his excellency aforesaid be, and he is authorized and required to vest in said stock, the sum of one hundred thousand dollars of the fund heretofore set apart for the improvement of the internal navigation of this State."

In that year, the State's investments reached the highest point for the period prior to 1837. The policy of investing the public surplus began with the State's subscription to stock in the Bank of Augusta, in 1811.[4] This bank was incorporated by an act of Dec. 6, 1810,[5] with a capital of $300.000 of which $50,000 was to be reserved for the State until Jan. 1, 1812.[6] By a resolution approved Dec. 13,

---

[1] Oliver H. Prince. *Digest of the Laws of the State of Georgia.* Athens: O. H. Prince, 1837, p. 18.

[*] "Never to be appropriated to any other purpose. Res. of December, 1820."

[2] *Ibid.*

[3] *Ibid.*, p. 70; *Charter of the Bank of Darien,* n. p., n. d., Sec. 1.

[4] *Report of the Commissioners appointed by Authority of the Legislature, on the Subject of the State Finances.* Milledgeville: Grieve and Orme, 1839, p. 12.

[5] Prince, *op. cit.*, p. 50.

[6] *Ibid.*, p. 52, sec. 6, rule 1st.

1811, the Governor was "authorized and required to cause the said five hundred shares to be subscribed for within the time limited, for the State of Georgia."[7]

An act approved December 19, 1810,[8] and amended December 3, 1811,[9] chartered the Planter's Bank of the State of Georgia with a capital stock of one million dollars, of which, one thousand shares was to be reserved for the State until January 1, 1813.[10] By resolutions, approved Dec. 5th and Dec. 9th, 1812, the Governor was authorized and required to cause the 1000 shares to be subscribed for.[11]

The bank investments proved profitable and by 1815 were sufficient to pay the expenses of the civil list. Consequently, a desire for more banks on the basis of State capital was expressed with the belief that the profits would defray all the ordinary expenses of the State.[12]

On December 16, 1815,[13] it chartered the Bank of the State of Georgia with a capital of $1.500,000, of which $600,000 was reserved for the State and subscribed to later.[14]

The Bank of Darien, referred to in the act of 1819, was chartered December 15, 1818, with a capital limited to $1,000,000, of which $500,000 was reserved until January 1, 1820, for the State[15] and subscribed to by a resolution approved December 17, 1818.[16]

This policy of investing surplus in bank stocks proved fortunate for the School Fund; for in 1821, an act of Dec. 21, appropriated half a million dollars in bank stock to the School Fund.[17] The principal portions of the act are quoted herewith.

---

[7] *Acts of the General Assembly of the State of Georgia,* 1811, p. 199.
[8] Prince, *op. cit.,* p. 56.
[9] *Ibid.,* p. 57.
[10] *Ibid.* Article 47, sec. 1.
[11] *Acts of the General Assembly of the State of Georgia,* 1812, p. 161 and pp. 144-145.
[12] *Milledgeville Georgia Journal,* December 13, 1815, quoted in *Niles' Weekly Register,* Jan. 6, 1816 (Vol. IX, pp. 319-320).
[13] *Acts of the General Assembly of the State of Georgia,* 1815, pp. 26-35.
[14] Wm. G. Sumner, *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1), New York. The Journal of Commerce and the Commercial Bulletin, 1896, p. 87.
[15] *Acts of the General Assembly of the State of Georgia,* 1818, p. 44.
[16] *Ibid.,* p. 225.
[17] Although referred to in the *Report of the Commissioner, appointed by Authority of the Legislature, on the Subject of the State Finances.* Milledgeville: Grieve and Orme, 1839, p. 26 as being first real appropriation, it was preceded by the act of Dec. 18, 1817.

11. Sec. 1. The sum of five hundred thousand dollars, be and the same is hereby set apart, the one half for the support and encouragement of free schools, and the other half for the permanent endowment of county academies; and the further sum of five hundred thousand dollars be and the same is hereby set apart for the internal improvement of the State.

12. Sec. 11. The said sum of five hundred thousand dollars, first above named, shall be denominated the School Fund, and shall be composed of two hundred thousand dollars of the stock of the Bank of Darien, two hundred thousand dollars of the stock of the State Bank, and one hundred thousand dollars of the Bank of Augusta. The fund to be denominated the Internal Improvement Fund shall be composed of one hundred thousand dollars heretofore vested in stock of the Steamboat Company, one hundred and twenty-five thousand dollars in stock of the Bank of Darien, two hundred thousand dollars in stock of the State Bank, and seventy-five thousand dollars in stock of Planter's Bank.

13. Sec. 111. The principal sums set apart as aforesaid shall at no time, or for any purpose, be appropriated or used; but the interest arising thereon shall be applied to the purposes herein before mentioned, as the legislature may from time to time direct.

14. Sec. IV. It shall be the duty of the Treasurer, Comptroller-general, Trustees or Commissioners of county academies, and the Inferior Courts of the several counties within this State, together with the Senators of said counties, to examine and make full and accurate report to the next legislature of the amount received by said counties respectively, in confiscated property or other endowment; and when such returns are made, and information obtained, the dividends yielded by the one half of the school fund aforesaid, shall be apportioned and paid semi-annually to the several counties, as a future legislature may direct.

15. Sec. VI. Nothing in this act contained shall be so construed as to prevent any future General Assembly from altering or repealing this act, or any part thereof.

Shortly thereafter, an act of December 23, 1822,[18] directed the governor "to cause the sum of $12,000 of the bank dividends, and other net proceeds of the poor school fund to be divided among the different counties, in proportion to the number of poor children . . ."

On December 22, 1823, the sum to be distributed was increased to $20,000 and was to be "distributed annually among the different counties of this State, in proportion to the number of free white population* in each county . . ."[19]

Because of a controversey between the U. S. Bank and the State banks and complaints of farmers that existing banks were not accommodating enough,[20] Governor Clark recommended the establish-

[18] Prince, *op. cit.*, p. 20.
[19] *Ibid.*, p. 21.
[20] Thomas P. Govan. "Banking and the Credit System in Georgia, 1810-1860." *The Journal of Southern History,* May 1938 (Vol. IV, No. 2, p. 171).

* "Representative Population".

ment of a State-owned bank which "would in the course of a few years . . . relieve the citizens from taxation, enable the State to progress advantageously in internal improvements, and perfect its system of public education, all of which are subjects highly interesting, and promising lasting benefits to the state."[21]

In 1828 a charter was granted to the Central Bank of Georgia at Milledgeville. Its capital was to consist of the shares owned by the State in the Bank of Augusta, the Planters Bank of the State of Georgia, the Bank of the State of Georgia, and the Bank of Darien; and various other state moneys.[22] Nothing in this act was to interfere with the proceeds set apart for education from stock in the other banks.[23]

It is interesting to note that the charter of the Merchants and Planters Banks of Augusta, incorporated December 26, 1827,[24] contained a provision similar to that found in a number of the Connecticut bank charters, which granted any religious, charitable, or literary institution incorporated by the State the right to subscribe to its bank stock.[25]

The report of the Commissioners states that from the very beginning, "These investments became at once and have ever continued a most prosperous source of finance, the value of which is abundantly evinced by the supplies which it has yielded to the Treasury.

"Thus, in the ten years from the beginning of 1829 to the close of 1838, on the one hundred thousand dollars of stock owned by the State, in the Bank of Augusta, the dividends received amounted to $101,310.90. On the eighty thousand dollars of stock in the Planter's Bank of Savannah, the dividends were $56,800. On the half million of stock in the Bank of the State of Georgia, the dividends reached the sum of $410,000; and on the three hundred and twenty-five thousand dollars in the stock of the Bank of Darien, the dividends in the same period of time amounted to $178,750, making,

---

[21] *Journal of the General Assembly of the State of Georgia,* 1823, pp. 15-16.
[22] *Acts of the General Assembly of the State of Georgia,* 1828, p. 34.
[23] *Ibid.,* sec. 3.
[24] *Idem.,* 1827, p. 47.
[25] *Ibid.,* p. 49, sec. 4; Davis R. Dewey. *State Banking before the Civil War.* National Monetary Commission. Washington: Government Printing Office, 1910, p 41; Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, pp 178-179.

in the whole an income of $745,860.90, received by the State in ten years from her property in the aforementioned Bank stocks."[26]

Another special appropriation of funds for education was made in 1837, following the distribution of the Federal Surplus in accordance with the act of June 23, 1836.[27] Georgia received $1,051,422.09,[28] and on December 28, 1836, placed the sum as capital in the Central Bank of Georgia,[29] which had been incorporated December 22, 1828, as the exclusive property of the State.[30] On December 23, 1837, one third of this amount was put into the common school fund in accordance with Sec. 1 of "An Act to appropriate and set apart, one third of the Surplus Fund, to be derived to this State from the United States, as a permanent Free School and Education Fund, and to authorize the appointment of a Committee to prepare and report a plan of Free Schools, & c to the next Legislature,"[31] which states as follows:

"One third of the Surplus Revenue which this State may receive from the United States, be and the same is hereby appropriated and set apart, as a permanent Free School and Educational Fund; that the same, as it may be received, shall be deposited in the Central Bank, and loaned out to the citizens of this State, according to the law regulating the disbursement of the funds of the Central Bank and that the interest only, of said fund, shall be used for the establishment and maintenance of such plan or system of Free Schools and Education, as may hereafter be determined on by the Legislature, at its next, or some subsequent session."[32]

On December 26, 1837,[33] the academic and the poor school funds

[26] *Report of the Commissioners appointed by Authority of the Legislature, on the Subject of the State Finances,* p. 112.

[27] *U. S. Statutes at Large,* Vol. 5, p. 55.

[28] E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York: E. G. Putnam's Sons, 1885, p. 56; E. P. Cubberly and E. C. Elliot. *State and County School Administration.* New York: Macmillan Co., 1922, p. 53; Hon. John Eaton. "What Has the General Government Done in Aid of Education." Washington: U. S. Bureau of Education, Circular of Information, No. 2, 1879, p. 128.

[29] *Acts of the General Assembly of the State of Georgia,* 1836, p. 262; *Journal of the Senate of the State of Georgia,* 1837, pp. 10-13; Prince, *op. cit.,* p. 237; Eaton, *op. cit.,* p. 128.

[30] Alexander Trotter. *Observations on the Financial Position and credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Brown, Green, and Longmans, 1839, p. 281; Sumner, *op. cit.,* p. 179; John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 575.

[31] Prince, *op. cit.,* pp. 26 & 27.

[32] *Ibid.*

[33] *Acts of the General Assembly of the State of Georgia,* 1837, p. 94.

were consolidated into a common school fund, only to be constituted a poor school fund again on December 10, 1840, and the benefits thereof restricted to children of eight to sixteen whose poverty was vouched for by the justices of the peace in the districts concerned.[34] In that year $100,646.89 was distributed.[35]

Unfortunately, profits and dividends of the Central Bank were also appropriated by the State for various other expenditures including $700,000 to finance the cost of a loan for the construction of the State-owned Western & Atlantic Railroad.[36] And since the various appropriations were too exhausting on the Bank, some of the pledges, among them the education fund, had to forego their income.[37] The exactions became so burdensome that it was not able to maintain its notes at par, and it was directed by the State to cease further loans until it was able to do so.[38] However, it was not able to regain its stability, and liquidations of its assets began in 1853. Its affairs were finally wound up in 1858, at great loss to the State and the education fund.[39] Although the financing of the railroad contributed to the loss of this source of income, $100,000 a year was appropriated from the earnings of the railroad to the school fund beginning with 1858.[40]

A permanent educational fund was provided for by "An act to provide for the education of the poor," enacted in 1843.[41]

By the provisions of this act, the fund was to comprise 1,733 shares of the Bank of the State of Georgia stock, 890 shares of the Bank of Augusta, and what remained of the assets of the Central Bank after its debts were paid off.[42]

And again on January 22, 1852,[43] 1833 shares of the Bank of the State of Georgia, 890 shares of the Bank of Augusta, and 186 shares of the Georgia Railroad and Banking Company,[44] amounting to

---

[34] *Idem,* 1840, p. 61.
[35] *Ibid.,* p. 59; Bourne, *op. cit.,* p. 57.
[36] Thomas P. Govan. "Banking and the Credit System in Georgia, 1810-1860." *The Journal of Southern History,* May 1838. (Vol. IV, No. 2, p. 173).
[37] *Report of the Commissioners Appointed by Authority of the Legislature on the Subject of the State Finances.* Milledgeville: Grieve & Orme, 1839, p. 27.
[38] *Acts of the General Assembly of the State of Georgia,* 1841, pp. 25-26.
[39] Bourne, *op. cit.,* p. 59; T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Banking Asso., 1936, p. 21.
[40] *Acts of the General Assembly of the State of Georgia,* 1858, pp. 49-51.
[41] *Idem,* 1843, pp. 43-45.
[42] *Ibid.,* p. 43, sec. 3.
[43] *Idem,* 1851/52, p. 1 ff.
[44] *Ibid.,* sec. 1.

some $290,900 par value,[45] all belonging to the State, were designated as a permanent fund for the education of the poor. Further purchase of shares to be added to the fund was to be made by the unexpended balance of what might remain of the $30,000 appropriated for a State Convention, and all the available assets of the Central Bank, after payment of its debts.[46]

In 1858, an act of Dec. 11, provided that the proceeds of the School Fund be divided among the counties according to all white children between the ages of 8 and 18. This act also supplemented the fund by setting aside $100,000 annually for education out of the earnings of the Western and Atlantic Railroad,[47] thereby restoring the income derived from the third of the Surplus Revenue set aside in Central Bank stock for education by the act of Dec. 23, 1836.[48]

Of the $100,646.89 appropriated for education under the act of 1838, the report of the Comptroller General in 1840 shows that $57,527.64 was received from the Central Bank.[49] The balance was income on the academic and poor school funds. According to Eaton, it is safe to assume that an average of $28,763 on the Surplus Revenue invested in the Central Bank was maintained from 1841 to 1859, thereby contributing about $604,040 from 1839 to 1859 on the surplus revenue.[50]

In 1859, the Fund consisted of the same investments as in 1852, and the dividends averaged about 10%.[51] By 1864,[52] the total income amounted to $160,520, of which $37,285.00 was bank dividends, $23,235.00 interest on public debt, and $100,000 from the Western & Atlantic Railroad.

However, the effects of the Civil War were soon evident, and the Comptroller's report for the fiscal year ending January 1, 1869, indicates that 1833 shares of the Bank of the State of Georgia, and the 890 shares of the Bank of Augusta were worthless. The railroad stock had some value remaining.[53]

[45] Eaton, *op. cit.*, p. 128.
[46] *Acts of the General Assembly of the State of Georgia,* 1851/52, p. 1 ff.
[47] *Idem,* 1858, pp. 49-51.
[48] Prince, *op. cit.*, pp. 26-27.
[49] Comptroller General's Report, 1840, p. 2 of Appendix in *Acts of the General Assembly of the State of Georgia,* 1840.
[50] Eaton, *op. cit.*, p. 129.
[51] *Annual Report of the Comptroller General of the State of Georgia,* 1859, p. 30. During the fiscal year, an act of December 11, 1858, included all white children of from 5 to 18 as eligible to enjoy the benefits of the fund.
[52] *Annual Report of the Comptroller General of the State of Georgia,* 1864, p. 14.
[53] *Idem,* 1869, p. 6.

Chapter IX

Mississippi

Mississippi used banks in two ways to raise funds to aid in the financing of its public schools; namely, investment in bank stocks and taxation of banks.

As early as December 11, 1816, the Territory of Mississippi reserved for itself the right to subscribe for 500 shares of stock in the Planter's and Mechanics' Bank at Huntsville.[1] In 1817, the reservation of at least one-fourth of the capital stock af all banks incorporated by the State, was provided for in the State Constitution.[2]

Accordingly, by an act of February 5, 1818,[3] the Governor was authorized to subscribe one share for every four shares subscribed by individuals in the Bank of Mississippi, the new name given to the President and Directors and Company of the Bank of Mississippi,[4] chartered by the Territorial Legislature of Mississippi in December, 1809.[5]

The governor subscribed and paid for $5,000 worth of the stock on January 1, 1819,[6] and also borrowed $20,000 from the bank. His successor, Governor Poindexter, was of a hostile attitude toward the bank and would have vetoed its charter if it were possible. He recommended that it be required to pay a bonus to the State as was required of banks in other states.[7] The bank was paying a tax of 25c per hundred dollars capital stock which had been levied upon it in 1815.[8]

---

[1] Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 61.

[2] *Constitution and Form of Government for the State of Mississippi.* Natchez: A. Marschalk, 1817, Article 6, Section 9; Dunbar Rowland. *Encyclopedia of Mississippi History.* Madison, Wisconsin: Selwyn A. Brant, 1907, Vol. 2, p. 612; Sumner, *op. cit.,* p. 62.

[3] *Acts passed at the First Session of the First General Assembly of the State of Mississippi,* 1818, p. 212.

[4] *Ibid.,* pp. 124-132.

[5] A. Hutchinson. *Code of Mississippi.* Jackson: for the Compiler, 1848, p. 309; William D. McCain. "The Charter of Mississippi's First Bank." *The Journal of Mississippi History,* October, 1939. (Vol. 1, No. 4) Reprint.

[6] "Stock Ledger No. 1" of the *Bank of the State of Mississippi,* 1819-1836, p. 240.

[7] Rowland, *op. cit.,* p. 184.

[8] M. C. Rhodes. *History of Taxation in Mississippi* (1798-1929). Nashville, Tenn.: George Peabody College for Teachers, 1930, p. 131.

An act of November 26, 1821,[9] provided for the setting apart af all escheats, confiscations, forfeitures, derelict personalty and all fines as literary fund for the encouragement and support of education in the State. The sections concerning the investment and appropriation of the fund state as follows:

Sect. 8. Fund may be vested in Stock, or lent, and realty changed. The said president and directors shall be, and they are hereby empowered to vest in the stock of any bank or banks in this state, any part or the whole of the literary fund; or to loan the money, at the rate of interest to be agreed on, between the said president and directors, and the person or persons borrowing the same, and on good and sufficient security being given for the payment of principal and interest; and at all times to change or alter, or dispose of any real or personal estate belonging to the said fund, in such manner, as may, in their opinion, be best calculated to improve the value thereof.

Sect. 9. How the Legislature to Appropriate the Fund. The said literary fund shall, from time to time, be divided and appropriated, as to the legislature shall seem best adapted to the promotion of literature; but no distribution of the principal and interest of said fund, except so much as may be necessary for the education of the poor of the respective counties, shall be made, until the same shall amount to fifty thousand dollars: Provided, always, That the aforesaid fund, when distributed, shall be appropriated to the sole benefit of a school or schools, to be kept in each and every county within the state, subject to such orders and regulations as the general assembly shall hereafter direct. And WHEREAS, the object aforesaid is equally humane, just and necessary, involving alike the interests of humanity, and the preservation of the constitution, laws and liberty of the good people of this state; the present general assembly solemnly protest against any other application of the said funds, by any succeeding general assembly, to any other object than the education of the poor, until the interest accruing on said fund shall be more than sufficient for that purpose; in which case the surplus may be distributed for the use of schools as the legislature shall direct.

In 1826, the literary fund amounted to $8,844, mostly in the form of loans at 10%. Governor Brandon suggested that the fund be invested in stock of the Bank of the State of Mississippi.[11] Thereupon, on January 26, 1826, an act directed the President and Directors of the Literary Fund to turn over to the governor all the money belonging to the fund on or before April 1, 1827, to be used for stock which was to be set apart for the literary fund and be of the stock reserved for the State in that bank. The Governor was authorized to subscribe 120 shares for which $12,000 of the Literary Fund was to be paid on them.[12]

---

[9] Hutchinson, *op. cit.*, pp. 205-206.
[10] *Ibid.*, Sec. 1.
[11] Rowland, *op. cit.*, p. 612.
[12] Hutchinson, *op. cit.*, p. 309; *Laws of the State of Mississippi*, 9th Session, 1826, p. 129.

Another act, January 31, 1826,[13] directed the Trustees to lease certain school lands for 99 years and to vest the money therefrom in stock of the Bank of the State of Mississippi, the dividends to be reinvested in additional stock of the bank for ten years.[14] Also, on February 13, 1828, the literary fund, and $30,000 of state money were required to be subscribed for the use of the fund and State, respectively, as per the following resolution.[15]

"Resolved by the Senate and House of Representatives of the State of Mississippi, in General Assembly convened, That the Governor of the State of Mississippi, for the time being, be, and he is hereby authorized and empowered to vest the money belonging to the literary fund, in stock of the bank of the State of Mississippi, as it may be received, by subscribing for the same; which, when so subscribed for, shall be considered a part of the stock reserved to the state in the charter of said bank, and be set apart for the use and benefit of the literary fund.

"And Be It Further Resolved, That the Governor is also authorized and empowered to subscribe thirty thousand dollars out of the state treasury, in the stock aforesaid, for the use and benefit of the state: Provided also, that after the subscription of the said sum, if the treasury should be incompetent to the discharge of the expenses of the current year, the Governor is hereby authorized, when the necessity occurs, to meet the exigency by obtaining from the bank of the state of Mississippi, a loan sufficient for said purpose."

The investments of the Literary Fund in the Bank of the State of Mississippi are shown by the following table compiled from the bank's stock ledger:[16]

July 1, 1826	15 shares	Nos.	820-834
July 1, 1827	7 shares	Nos.	3365-3371
	5 shares	Nos.	122-126
	5 shares	Nos.	150-154
	10 shares	Nos.	295-304
	10 shares	Nos.	501-510
	20 shares	Nos.	663-682
	10 shares	Nos.	703-712
	10 shares	Nos.	790-799
February 19, 1828	40 shares	Nos.	2633-2672
January 1, 1828	2 shares	Nos.	194-195
	9 shares	Nos.	1406-1414

[13] *Laws of the State of Mississippi, 9th Session,* 1826, pp. 97 & 98.
[14] Rhodes, *op. cit.,* p. 131.
[15] Hutchinson, *op. cit.,* p. 309; *Laws of the State of Mississippi,* 11th Session, 1828, Ch. CI.
[16] "Stock Ledger No. 1" of the *Bank of the State of Mississippi,* 1819-1836, p. 140.

July 1, 1828	4 shares	Nos.	361-364
	10 shares	Nos.	4071-4080
	20 shares	Nos.	1958-1977
June 10, 1829	17 shares	Nos.	9428-9444
July 1, 1829	62 shares	Nos.	9445-9506
October 19, 1830	22 shares	Nos.	10464-10485
January 1, 1831	13 shares	Nos.	10486-10499
	291 shares		

By the close of 1830, some $30,000 of the Literary Fund had been invested in the bank. It was felt that the income from this investment and the proceeds of the one-tenth tax would make it possible to begin distributing dividends in a few years.[17]

Because the Bank of the State of Mississippi refused to grant a loan of $200,000, supposedly for an internal improvement fund,[18] the legislature in February 10, 1830,[19] ignored its pledge, "That no other bank shall be established by any future law of this state during the continuance of the aforesaid corporation, for which the faith of the state is hereby pledged,"[20] and granted a charter to the Planter's Bank of Mississippi at Natchez with a capital of $3,000,000 of which 20,000 shares of $100 each were reserved for the State.[21]

"At the opening of subscriptions to the capital of said bank, the Governor of the State, on behalf of the same," was directed to "subscribe or cause to be subscribed for, ten thousand shares, amounting to one million of dollars . . ."[22]

The Governor was further "authorized and required to sell, at the current price of the same, all the stock which the state now owns in the Bank of the State of Mississippi, except fifty shares, and to apply the proceeds thereof, as far as the same will go, to the payment of the subscriptions for shares which he is hereby required to make of the remaining ten thousand shares reserved to the state in this bank, and the said bank is required to distinguish between the shares paid for by the funds properly belonging to the state, and those which shall be subscribed for on account of the literary fund, or on account of any other specified fund."[23]

---

[17] Rowland, *op. cit.*, p. 612.
[18] *Ibid.*, p. 185.
[19] Hutchinson, *op. cit.*, p. 310; *Laws of the State of Mississippi,* 14th Session, 1830, p. 97.
[20] McCain, *op. cit.*, p. 15, sec. 16.
[21] *Laws of the State of Mississippi,* 13th Session, 1830, pp. 92-109.
[22] Hutchinson, *op. cit.*, p. 310; *Laws of the State of Mississippi,* 1830, 14th Session, pp. 7-8.
[23] Hutchinson, *op. cit.*, p. 312.

Although at first the Literary Fund and other funds were considered as constituting part of the State's share of the capital of the Planter's Bank, "provided the dividend should be applied to the purpose originally intended in the creation of the funds,"[24] an act of February 5, 1833, provided that these funds shall "constitute a part of the capital of said bank, over and above the three millions originally contemplated as the capital thereof."[25] Furthermore, another loan of $1,300,000 was authorized for vesting in the bank, and the legislature directed the sale of the 36 sections of land granted by the United States for a seminary of learning, the money to be invested in the bank's stock.[26] The act of Jan. 31, 1826, which required the proceeds from school lands to be invested in the stock of the Bank of the State of Mississippi was also repealed and the proceeds directed to be invested in the Planter's Bank.[27]

In 1833 the literary fund consisted of $50,000 in Planter's Bank stock, and an act of March 2, 1833,[28] entitled "An act for the distribution of the Literary Fund among the several counties of this State, and for other purposes," apportioned the fund among the several counties. The act is quoted herewith:

Sec. 1. WHEREAS, The literary fund belonging to this state, and raised under the Act of the legislature, entitled "An act to establish a literary fund, and for the encouragement and support of education in this state," passed November 26th, 1821, does now amount to the sum of fifty thousand dollars, at which time a distribution of the same among the several counties, is contemplated by the provisions of that Act: And WHEREAS., Manifest injustice will be done to the now-existing counties which have alone contributed to the creation of this fund, by withholding such distribution any longer: Therefore, be it enacted, That the said literary fund shall be distributed among the several counties in this state, according to the free, white population, in proportion, and in the manner hereinafter directed.

Sec. 2. The said fund shall continue and remain a part of the funded stock of the Planter's Bank of the State of Mississippi; the interest or dividends on which, shall alone, under the direction of the board of police of the several counties to which it may belong, be appropriated to the purposes for which it was created, according to their respective apportionment.

---

[24] Alexander Trotter. *Observation on the Financial Position and Credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Brown, Green and Longmans, 1839, p. 305.

[25] Hutchinson, *op. cit.*, p. 314.

[26] *Laws of the State of Mississippi, embracing all acts of a public nature from January Session, 1824, to January Session, 1838, Inclusive.* Jackson: Printed for the State, 1838, pp. 436-460.

[27] *Laws of the State of Mississippi,* 1831, p. 95.

[28] Hutchinson, *op. cit.*, p. 216.

Sec. 3. The several counties shall each be entitled to the number of shares, of one hundred dollars each, hereinafter mentioned, and under the restrictions hereinbefore provided, that is to say: The county of Adams shall have twenty shares; the county of Amite, twenty-three shares; the county of Claiborne, twenty-two shares; the county of Covington, eleven shares; the county of Capiah, thirty-two shares; the county of Franklin, fifteen shares; the county of Greene, seven shares; the county of Hinds, thirty-three shares; the county of Hancock, eight shares; the county of Jackson, seven shares; the county of Jones, seven shares; the county of Jefferson, twenty shares. the county of Lawrence, twenty shares: the county of Lowndes, fourteen shares; the county of Madison, seventeen shares; the county of Marion, thirteen shares; the county of Perry, eight shares; the county of Rankin, ten shares; the county of Simpson, thirteen shares; the county of Yazoo, thirteen shares; the county of Holmes, twelve shares; the county of Pike, twenty-four shares; the county of Wilkinson, twenty-six shares; the county of Warren, twenty shares; the county of Wayne, ten shares; the county of Washington, five shares; the county of Monroe, seventeen shares; And provided also, That at the expiration or dissolution of the said Planter's Bank of the State of Mississippi, the said amount shall be re-invested under the president and directors of the literary fund, in some other profitable stock, for the use of said counties; and the original stock shall forever remain a permanent fund for the objects aforesaid.

Sec. 4. The residue which may be left after making the above distribution shall remain under the superintendence and control of the president and directors of the literary fund, as shall all other funds, which may in future arise under the provisions of the Act, entitled "An Act to establish a literary fund, and for the encouragement and support of education in this state," passed November 26th, 1821; nor shall any future distribution be made of such fund, until the same shall amount to fifty thousand dollars.

The Bank of the State of Mississippi, which was authorized to wind up its affair, Dec. 19, 1831,[29] settled with the State in 1834[30] for the 300 shares held by the State,[31] and the 291 shares owned by the Literary Fund.[32] The latter was invested in stock of the Planter's Bank, making a total of 617 shares.[33]

By 1836, the literary and seminary funds contained over 1000 shares of Planter's Bank stock and were worth more than $100,000. However, when the latter collapsed, it ruined the literary fund; and the act of February 14, 1839[34] eliminated it by appropriating the fines and forfeiture to certain academies.

---

[29] Sumner, *op. cit.*, p. 249.
[30] Rowland, *op. cit.*, p. 189.
[31] "Stock Ledger No. 1" of the *Bank of the State of Mississippi, 1819-1836,* p. 240.
[32] *Ibid.*, p. 140.
[33] Rowland, *op. cit.*, p. 189; See also Hutchinson, *op. cit.*, p. 217, Art. 15, Sect. 2.
[34] *Laws of the State of Mississippi,* 1839, pp. 38-40.

Chapter X

Kentucky

In Kentucky, the use of banks as a source of funds for the promotion of public education was provided for by the act of December 18, 1821.[1] In comparison with many other states, Kentucky began this policy relatively early. In fact, it would have been among the first few in this respect had the Governor's recommendation of 1816 been acted upon at the time.

In his message to the House in 1816, Governor Gabriel Slaughter recommended that in order to effectuate so desirable an object as a state system of education, the State should appropriate among other things a bank tax and "such part of the dividends on the bank stock of the state, as can be spared without materially increasing the public burdens . . . "[2]

The bank stock referred to by Governor Slaughter was that of the first Bank of Kentucky, chartered by an act of December 27, 1806, with a capital stock fixed at one million dollars of which one-half was reserved for the State.[3] When the bank got into difficulties in the hard times following the War of 1812, the State in 1815[4] authorized it to increase its capital stock to $3,000,000, and also gave the county seminaries authority to sell their educational lands and to buy stock of the Bank of Kentucky with the proceeds.[5] In 1817 this bank had thirteen branches.[6] When its charter was repealed in 1822, the state held $586,400 of its capital stock.[7]

The act of December 18, 1821,[8] mentioned in the opening para-

---

[1] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1821, pp. 351-355.

[2] *Journal of the House of Representatives of the Commonwealth of Kentucky,* 1816/17, p. 17. See also G. S. Callander, "The Early Transportation and Banking Enterprise of the States in Relation to the Growth of Corporations." Quarterly Journal of Economics, (17: 111-162), p. 161.

[3] *Acts of the General Assembly of the Commonwealth of Kentucky,* November Session, 1806, p. 11; Chas. Kerr, Editor. *History of Kentucky.* Chicago & New York: The American Historical Society, 1922, Vol. 1, pp. 511-513.

[4] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1814, p. 419.

[5] Gen. Basil W. Duke. *History of the Bank of Kentucky, 1792-1895.* Louisville: John P. Morton Co., 1895, pp. 15-16; L. Carroll Root. "States as Bankers." *Sound Currency* (Vol. 2, No. 10, p. 225).

[6] Root, *op. cit.,* p. 225.

[7] T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso., 1936, p. 26.

[8] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1821, pp. 55-56.

graph, was an amendment to the act of November 29, 1820, which chartered the Bank of the Commonwealth of Kentucky, with a capital of two million dollars and branches in each of the judicial districts.[9] The whole capital stock of the bank was the exclusive property of the Commonwealth of Kentucky.[10] The amendment, entitled "An act to establish a Literary Fund, and for other purposes," stated in its preamble that

"WHEREAS the well known and important influence of general education, upon the habits, the morals, the religion, and consequently the happiness of society, cannot fail to present the subject to the present general assembly as an object of primary importance to the State of Kentucky; Therefore, with a view to carry into effect, as early as practicable, a system of diffusive education, which shall be calculated to meet the just expectations of the country, and the intentions of the legislature in the establishment of the Bank of the Commonwealth of Kentucky.

"Sec. 1. BE IT ENACTED by the General Assembly of the Commonwealth of Kentucky, That one-half of the clear profits that have arisen, and may hereafter arise to the state, from the operations of the Bank of the Commonwealth of Kentucky, be, and the same is hereby set apart and appropriated as a fund which shall be known by the name of the Literary Fund, and forever maintained as such, for the establishment and support of a system of general education, to be distributed in just proportions to all the counties of this state, and applied to said purpose, under such regulations as the legislature may devise and adopt."[11]

This law, which set aside one-half of the State's profits in the Bank of the Commonwealth of Kentucky as a fund for the promotion of public education,[12] came at a time when the effectiveness of the subsidized academies had been seen to be negligible and thereby lent added support to the movement for a state system.[13] At that time the profits on the State's stock was sufficient to yield $60,000 to the fund.[14]

The same act, by sections 6, 10, and 12,[15] set aside one-half the profits of the branch banks at Lexington, Danville, and Bowling

---

[9] *Idem,* 1820, pp. 55-56.
[10] *Ibid.,* p. 56, Sec. 3.
[11] *Idem,* 1821, pp. 351-355.
[12] Duke, *op. cit.,* p. 18; A. D. Mayo. "Original Establishment of State School Funds." *Report of Commissioner of Education,* 1894/95 Washington: Government Printing Office, 1896, Vol. 1, p. 1508; Fletcher Harper Swift. *A History of Public Permanent Common School Funds in the United States, 1795-1905.* New York: Henry Holt & Co., 1911, p. 275; *Report of the Superintendent of Public Instruction of Kentucky,* 1859, pp. 17-18.
[13] A. D. Mayo. "The American Common School in the Southern States During the First Half Century of the Republic, 1790-1840." *Report of the Commissioner of Education, 1895-96.* Washington: Government Printing Office, 1897, Vol. 1, p. 321.
[14] *Ibid.*
[15] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1821, pp. 351-355.

Green to Transylvania University, Centre College, and the Southern College of Kentucky, respectively.[16]

By July 1, 1822, the Bank of the Commonwealth had paid the Literary Fund $70,319.32.[17] By July 1, 1823, it received $58,373.21 more;[18] and by July 1, 1824, another $15,224.91.[19] Of the total of $143,917.44 paid to the Literary Fund, $3,000 had been paid to the Deaf and Dumb Asylum,[20] thereby leaving an account of $140,917.44.[21]

This triumph in providing a means for promoting a state system of public education was short lived.[22] By an act of January 7, 1824. its opponents suspended the act of 1821 for a year, and diverted the proceeds to other State uses.[23] This diversion was continued by acts of January 12, 1825,[24] and December 21, 1825.[25]

In referring to the situation, Governor Joseph Desha, in his message to the Legislature in 1825, deplored the diversion of "the whole profits of the Bank of the Commonwealth, and even the interest of the school fund, to the support of government" by the exigencies of the Treasury; and suggested that the common schools and internal improvements be made auxiliary to each other by vesting in the turnpike roads "the School fund now in the Bank of the Commonwealth, the proceeds of the sales of vacant lands, the stock in the two banks belonging to the state, and all other funds which can be raised by other means, than taxes on people—and the net profits arising from the tolls on these roads be forever sacredly devoted to the interests of education."[26]

---

[16] *Report of the Superintendent of Public Instruction of Kentucky,* 1859, pp. 17-18.

[17] *Journal of the House of Representatives of the Commonwealth of Kentucky,* 1829/30, p. 114.

[18] *Ibid.*

[19] *Ibid.*

[20] *Ibid.*

[21] *Ibid.* Partial Table also in *Kentucky Senate Journal,* 1829/30, p. 62.

[22] A. D. Mayo. "The American Common School in the Southern States During the First Half Century of the Republic, 1790-1840." *Report of the Commissioner of Education,* 1895/96. Washington: Government Printing Office, 1896, Vol. 1, p. 341.

[23] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1823/24, pp. 469-470.

[24] *Idem,* 1824/25, p. 197.

[25] *Idem,* 1825/26, p. 121. See also A. F. Lewis. *History of Higher Education in Kentucky,* United States Bureau of Education, Circular of Information, No. 3, 1899. Washington: Government Printing Office, 1899, p. 331.

[26] *Journal of the House of Representatives of the Commonwealth of Kentucky.* 1826, pp. 16-17.

When the Bank of the Commonwealth went into liquidation, Kentucky had only the branch banks of the Bank of the United States left. Consequently, the legislature chartered the Bank of Kentucky at Louisville and two others when it became evident that the Bank of the United States would not receive a recharter.[27]

The Bank of Kentucky was chartered on February 22, 1834,[28] and began operation the following year in the building formerly occupied by the branch Bank of the United States at Louisville, and with John I. Jacob, the president of that institution, as its first president.[29] In a few years, State and School finance were part of its affairs.

In accordance with the Distribution Act of June 23, 1836,[30] Kentucky received $1,433,754.39.[31] Disposition of this money was provided for by the act of February 23, 1837,[32] in which the profits arising from one million dollars of this sum were to be set aside for the permanent maintenance of a general system of public instruction.[33] The investments of the surplus considered most profitable were stocks in three banks.[34] These were 5000 shares of the Bank of Louisville, chartered February 2, 1833, with the state retaining an option for five years on 5000 shares,[35] five-eighths of the balance for more stock in the Bank of Kentucky, chartered February 22, 1834,[36] and three-eighths for more stock in the Northern Bank of

---

[27] Nollie Olin Taff. *History of State Revenue and Taxation in Kentucky.* Nashville: George Peabody College for Teachers, 1931, pp. 55-56.

[28] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1833/34, pp. 618-634; quoted also in the *Court of Common Pleas for the City and County of Philadelphia, Amendment and Supplement to Original Bill of Complaint of Bank of Kentucky vs. Schuylkill Bank, and H. J. Leavis,* pp. 13-18.

[29] John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, pp. 637-638.

[30] *U. S. Statutes at Large,* Vol. V, p. 55.

[31] *Kentucky Legislative Documents,* 1840/41. *Second Auditor's Report,* p. 34; Hon. John Eaton. "What Has Been Done by the General Government in Aid of Education." Washington: U. S. Bureau of Education. Circular of Information, No. 2, 1879, p. 130.

[32] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1837: p. 319.

[33] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1837, sections 9, 10, & 11. Quoted also in *Report of the Superintendent of Public Instruction of Kentucky,* 1880/81, p. 219.

[34] Alexander Trotter. *Observations on the Financial Position and Credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Greene, and Longmans, 1839, p. 236.

[35] Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, pp. 253-254.

[36] *Ibid.,* p. 254; Knox, *op. cit.,* p. 637.

Kentucky, incorporated February 20, 1835.[37] The subscriptions were to be made only on condition that the designated banks accept certain amendments to their charters. Neither the Bank of Louisville, nor the Northern Bank of Kentucky accepted the conditions. Only the Bank of Kentucky consented and accordingly $583,598.37 was added to its capital as belonging to the State. The remaining $870,000 was invested in internal improvement bonds of which $850,000 was held for the benefit of the common schools.[38] Because Kentucky received only three-fourths of the amount originally expected, "An Act to establish a system of Common Schools in the State of Kentucky,' approved February 16, 1838,'[39] reduced the amount for education from $1,000,000 to $850,000. This same act provided for a state superintendent of public instruction and a state board of education.[40]

An act of the next year, February 23, 1839, gave the State Board of Education authority to invest the interest in "State bonds, created for Internal Improvement purposes, or in State Bank stocks, as they deem most for the advantage of said fund."[41] Accordingly, in 1839 the Superintendent of Public Instruction purchased 735 shares of stock in the Bank of Kentucky somewhat under par.[42]

Of the 735 shares of stock, 734 were purchased through the Schuylkill Bank transfer agency on the following dates and by the following transfers:[43]

May 7, 1839	Purchased by J. M. Bullock of Nevins, Townsend & Co.	50 shares
May 4, 1839	T. Biddle & Co.	72 shares
May 6, 1839	C. Macalester	7 shares
May 6, 1839	James F. Howe	42 shares

---

[37] Sumner, *op. cit.*, p. 253.

[38] *Special Report of the Superintendent of Public Instruction to the Senate*, January 30, 1851, p. 743, in *Kentucky Legislative Documents*, 1850/51; Trotter, *op. cit.*, p. 236; Niles National Register, April 24, 1841 (Vol. 60, p. 120).

[39] *Acts of the General Assembly of the Commonwealth of Kentucky*, 1837/38, Chapter 898.

[40] *Ibid.*, p. 274.

[41] *Idem*, 1838/39, p. 355.

[42] *Annual Report of the Superintendent of Public Instruction of Kentucky*, Jan. 3, 1840, in *Appendix to the Kentucky Senate Journal*, 1839/40, pp. 129-130. Also see *Special Report of the Superintendent of Public Instruction to the Senate*, Jan. 30, 1850, in *Kentucky Legislative Documents*, 1850/51, p. 745.

[43] *In the Court of Common Pleas for the City and County of Philadelphia. Amendment and Supplement to Original Bill of Complaint of Bank of Kentucky vs. Schuylkill Bank, and J. J. Leavis*, p. 30.

May 7, 1839	Corning & Co.	345 shares
June 1, 1839	Corning & Co.	58 shares
June 8, 1839	Corning & Co.	25 shares
July 2, 1839	Corning & Co.	18 shares
July 3, 1839	Corning & Co.	32 shares
July 19, 1839	Corning & Co.	8 shares
May 6, 1839	Ben Etting	6 shares
May 7, 1839	C. Hickling	41 shares
May 6, 1839	Abram Carlisle	7 shares
May 7, 1839	Hutchinson & M'Mullin	23 shares
		Total—734 shares

It so happened that the 734 shares of stock were among those said to be spurious in the fraud perpetrated by the Schuylkill Bank, Philadelphia.[44] Consequently, until the matter was settled, the school fund suffered through a decline in dividends and through the effects of the fraud on the other State finances. The Governor stated that a loss of $100,000 was sustained by the State through the failure of the Bank of Kentucky to pay dividends and suggested that the interest on the school bonds be passed up.[45]

Consequently, the internal improvements proved a strain on the State Treasury and resulted in non-payment of interest on the school fund. After numerous differences and persistent efforts on the part of various superintendents of public instruction, in 1840, $67,500 was obtained in three bonds for unexpended surpluses; and in 1848, $308,268.42 was obtained in bonds to make up for accumulated arrearages.[46]

In the meantime, an act of February 5, 1842[47] appropriated $10,000 of the school fund's bank dividends to the Kentucky Institution for Education of the Blind. And another act of 1845[48] appropriated $3,500 of the Bank of Kentucky dividends received between Januany 1, 1846 and January 1, 1847 to the same purpose.

---

[44] *Ibid.;* See also Knox, *op. cit.,* p. 640.
[45] *Journal of the House of Representatives of the Commonwealth of Kentucky,* 1840/41, pp. 34-35.
[46] *Report of the Superintendent of Public Instruction of Kentucky,* 1880/81, p. 228.
[47] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1841/42, p. 28. Also see *Journal of the House of Representatives of the Commonwealth of Kentucky,* 1842/43, p. 21 on Governor Letcher's message.
[48] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1845/46, pp. 31-32.

The Common School Fund, consisting of $73,500.00 in stock of the Bank of Kentucky,[49] and bonds comprising together the sum of $1,326,770.01 was included in the new constitution of June 11, 1850, thus becoming part of the organic law of Kentucky.[50]

Although Kentucky enacted a special tax on banks as early as 1816,[51] and continued such tax of varying sums, as 50c upon each share of the capital stock actually paid in the Bank of Kentucky,[52] it was not until 1850 that the bank tax, in certain instances, then amounting to 50c on every $100 worth of capital stock, was devoted to the school fund in the charters of some banks but not in others.[53]

For example, an act of February 16, 1850,[54] concerning the Farmers Bank of Kentucky, provided "that the tax or bonus hereby proposed to be imposed on each share of stock in this bank, or such as shall hereafter be imposed on each share, is hereby set apart and forever dedicated to the cause of education on the common school system; and whenever the same, or any part thereof, shall be diverted otherwise, by Legislative enactment, said Bank shall then be exonerated from the payment of any tax or bonus whatever."

An act of February 11, 1860,[55] also imposed a tax of fifty cents on every one hundred dollars of surplus accumulated profits of the Farmers Bank of Kentucky. The same act extended the same terms and conditions to the Southern Bank of Kentucky.[56]

Although taxes in specific charters were continued,[57] it was not until May 12, 1884, that the school fund was also given a proportionate share of the special taxes paid by banks and other corpora-

---

[49] Copy of this stock certificate may be seen in the *Report of the Superintendent of Public Instruction of Kentucky,* 1880/81, p. 222. Although this certificate is dated 1842, it is due probably to a reissue after the spurious stock certificates were cleared in the case of the *Bank of Kentucky vs. Schuylkill Bank and H. J. Leavis.*

[50] Barnes and Burr. *The Constitutions of the Several States of the Union and the United States.* New York: Barnes and Burr, 1860, p. 390. See also *Report of the Superintendent of Public Instruction of Kentucky,* 1880/81, pp. 228-229.

[51] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1815, Ch. 386, p. 629; Nollie Olin Taff. *History of State Revenue and Taxation in Kentucky.* Nashville: George Peabody College for Teachers, 1931, p. 103.

[52] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1820, p. 192, Sec. 9.

[53] *Biennial Report of the Superintendent of Public Instruction of the State of Kentucky for the two years ending June 30, 1929,* p. 49.

[54] *Acts of the General Assembly of the Commonwealth of Kentucky,* 1849/50, p. 13.

[55] *Idem,* 1859/60, Vol. 1, p. 25.

[56] *Ibid.,* p. 26.

[57] See various *Auditor's Reports and Reports of Superintendents of Public Instruction of Kentucky* of this period.

tions.[58] The Bank of Kentucky stock represented four percent of the fund as late as 1922 and 1925.[59]

[58] *Acts of the General Assembly of the Commonwealth of Kentucky,* Vol. 1, 1883/84, pp. 110-111.

[59] H. F. Swift. *State Policies in Public School Finance.* U. S. Bureau of Education Bulletin, 1922, No. 6. Washington: Government Printing Office, 1922, p. 27; Martin L. Faust. *The Custody of State Funds.* New York: National Institute of Public Administration, 1925, p. 50.

TABLE VIII

Bank Dividends & Taxes in the Kentucky School Fund During the Civil War.[60]

Year	1861	1862	1863	1864	1865
Bk. of Ky. Dividends	$ 5,880.00	$ 3,307.50	$ 4,042.50	$ 4,410.00	$ 4,410.00
Peoples Bk. Tax	.....	2,500.00	1,250.00	1,250.00	1,250.00
Farmers Bk. Tax	9,406.81	8,500.00	8,500.00	8,500.00	8,500.00
Ashland Bk. Tax	2,151.78	2,160.68	2,305.73	2,323.72	2,318.72
Commercial Bk. Tax	14,033.83	8,694.27	8,825.20	8,927.73	8,574.08
Total Inc. Incl. Bal.	332,555.55	359,260.40	524,940.27	596,653.34	508,514.79
Expenditures	289,754.33	138,764.46	181,669.19	464,916.47	236,980.31
Balance	42,742.41	220,496.03	343,271.28	131,736.87	211,534.48

[60] Annual *Reports of the Superintendent of Public Schools*, in *Legislative Documents*.

CHAPTER XI

VERMONT

Vermont provided for the use of banks in the promotion of public schools by the act of November 17, 1825, entitled "An act for the benefit of common schools."[1] The provisions of this act are as follows:

Sect. 1 IT IS HEREBY ENACTED by the General Assembly of the State of Ver mont, That the amount of the avails accrued to this state, from the late Vermont State Bank, be, and the same is hereby sequestered and granted to the respective towns in this state, for the benefit of common schools, and to no other use; to be managed as a school fund, agreeably to the provisions in this act, hereinafter prescribed.

Sect. 2. IT IS HEREBY FURTHER ENACTED, That the amount of this state's funds, accruing from the six percent on the net profits of the respective banks chartered by this state, which are now, and which hereafter may be in operation, already received, and which hereafter accrued, and which hereafter shall accrue, from licences to pedlers, be, and the same is hereby sequestered and granted to the respective towns in this state, for the benefit of common schools, and to no other use; to be managed as a school fund, agreeable to the provisions in this act, hereinafter prescribed.

Sect. 3. IT IS HEREBY FURTHER ENACTED, That the treasurer of this state, for the time being, be and he hereby is, appointed commissioner of the school fund created by this act; and it is hereby made his duty, as soon hereafter as may be, and from time to time, as the said funds shall accumulate and become receipts in the treasury, to invest the amount of monies, so received from these sources of revenue, in approved bank stock, or in such other productive or national securities, as he may find opportunity, and be enabled to procure and negotiate, in order that the same may be a productive and accumulating fund. And the profits and interest, which the same may annually yield and produce, shall, as soon as may be, after its receipt, be rendered and improved as principal, and be securely placed in such condition as to yield interest and profit. And the auditor of the treasury shall audit the doings of the treasurer in this behalf, and make report, annually, of all matters thereunto appertaining, and especially the amount, increase and securities of said school fund.

Sect. 4. IT IS HEREBY FURTHER ENACTED, That the Treasurer and auditor shall receive, for their services, such amount of compensation, respectively, as the legislature, from year to year, shall think just and equitable.

Sect. 5. IT IS HEREBY FURTHER ENACTED, That the accumulating school fund, contemplated by this act, shall not be diminished, improved, or appropriated to the use of schools, until the amount of principal of said fund shall increase to

---

[1] *Public Acts of the State of Vermont,* 1825, pp. 26-27. Also see *Message of the Governor of Vermont to the General Assembly,* Oct. 1845, p. 6; And *Thirteenth Annual Report of the Vermont Board of Education, Sept.* 1869, p. 133.

a sum sufficient to yield an annual profit and interest, adequate to defray the current expenses of keeping a good, free, common school in each district, in the respective towns, for the period of two months in each and every year.

The Vermont State Bank, referred to in the act of Nov. 17, 1825, was chartered on Nov. 10, 1806.[2] It was the property of the State and all profits were to go to the State. It established branches at Woodstock and Middlebury, afterwards at Burlington and Westminster,[3] and issued notes in denominations of 50c, 75c, $1, $1.25. $1.50, $1.75, $2 and $5.[4] In 1812, laws provided for the winding up of the affairs of the bank[5] which were not finally settled until 1845.[6]

By the second section of the act of Nov. 17, 1825, the special tax of 6 percent on the net profits of the operating banks chartered by the State was likewise devoted to the cause of education. This was not the first time that banks in Vermont had been subjected to a special tax. In 1818, the charter of the Bank of Burlington required it to pay the State Treasurer 6% of its profit.[7] Later, other banks were also taxed.[8] The 6% bank tax of 1825 proved to be the chief source of income to the School Fund; and upon being invested in approved bank stocks,[9] brought dividends which with the bank tax comprised almost the entire income of the school fund.

The funds thus received by the State Treasurer, constituted commissioner for the management of the fund, were invested until 1833, when an act of the legislature stopped further investments and the State borrowed the school fund to meet its expenses.[10]

---

[2] *Acts and Laws of Vermont,* 1806, Ch. 110, pp. 164-169.

[3] John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 354.

[4] *Ibid.,* p. 355; Wm. G. Sumner. *A History of Banking in the United States. (A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 40; L. Carroll Root. "States as Bankers," *Sound Currency,* April 15, 1895 (Vol. 11, No. 10) Pagination differs in bound volumes from separates. p. 223.

[5] Sumner, *op. cit.,* p. 41; Knox, *op. cit.,* p. 355.

[6] *Ibid.;* Geo. B. Reed. *Sketch of Early History of Banking in Vermont.* Boston, 1879, pp. 84-87.

[7] Frederick A. Wood. *History of Taxation in Vermont.* New York: Columbia College, 1894, pp. 84-87.

[8] *Acts of the State of Vermont,* 1830, p. 55; *Idem,* 1831, p. 81; *Idem,* 1836, p. 79; *Idem;* 1839, p. 45.

[9] *Acts of the State of Vermont,* 1825, pp. 26-27, sec. 3.

[10] *Message of the Governor of Vermont to the General Assembly,* Oct. 1845, p. 6; *Thirteenth Annual Report of the Vermont Board of Education,* Sept. 1869, p. 133; *Sixteenth Report of the Vermont Board of Education,* October 1874, pp. 439-440.

The borrowed fund kept growing and by 1845, had reached the sum of $235,000.[11] The State owed it $224,309.50 borrowed partly in connection with the erection of a State House, and some individuals owed it another $10,590.94.[12]

The question arose as to whether the fund should be continued. The Governor estimated that it would require a fund of $2,000,000 to carry out the plan of maintaining schools for two months. The average annual income of the 6% bank tax for the past 6 years at that time was about $3,669.86; and the income from peddler's licenses was $1,146.52, making a total of $4,816.38, which would be about the only addition to the $14,194.02 interest the fund would earn; for the avails of the Vermont State Bank added very little money to the fund.[13]

An adroit solution to the question of the school fund and the State's indebtedness to it was to cancel the debt by appropriating the fund to that purpose.[14] This was carried out by an act approved Nov. 5, 1845, entitled "An act to abolish the School Fund."[15] Thus in 1845 ended the school fund created by the act of Nov. 17, 1825, "for the benefit of common schools, and to no other use . . . "[16] Had the fund been kept intact, it would have increased sufficiently by 1890 to carry out the school program intended.[17]

---

[11] *Thirteenth Annual Report of the Vermont Board of Education,* p. 134; *Sixteenth Report of the Vermont Board of Education,* p. 440.

[12] *Message of the Governor of Vermont to the General Assembly,* Oct. 1845, p. 6.

[13] *Ibid.*

[14] *Thirteenth Annual Report of the Vermont Board of Education,* p. 134; George Gary Bush. *History of Education in Vermont.* Bureau of Education, Circular of Information, No. 4, 1900, Washington: Government Printing Office, 1900, pp. 48-49.

[15] *Acts and Resolves of the State of Vermont,* 1845, pp. 24-25; *Referred to also in American Almanac and Repository of Useful Knowledge,* 1846, p. 208; *Ibid.,* 1847, p. 122; *Ibid.,* 1855, p. 228.

[16] *Acts of the State of Vermont,* 1825, p. 26, sec. 2; Fletcher Harper Swift. *A History of Public Permanent Common School Funds in the United States, 1795-1905.* New York: Henry Holt & Co., 1911, p. 409.

[17] *Sixteenth Annual Report of the Vermont Board of Education,* October, 1874, p. 440.

Table IX

Bank Taxes Paid to Vermont School Fund.[18]

BANKS	1828	1829	1830	1831	1832	1833	1834	1835
Bank of Burlington	$1,368.00	$ 302.40	$ 511.20	$ 859.20	$ 739.20	$ 424.80	$ 494.46	$ 513.10
Bank of Windsor	888.00	288.00	384.00	384.00	384.00	984.00	384.00	384.00
Bank of Brattleborough	840.00	240.00	240.00	600.00	240.00	240.00	600.00	420.00
Bank of Rutland	420.00	600.00	360.00	480.00	480.00	480.00	420.00	480.00
Bank of Montpelier	140.00	144.00	144.00	192.00	192.00	192.00	120.00	240.00
Bank of Caledonia	63.00	144.00	144.00	120.00	186.00	192.00	180.00	198.00
Bank of St. Albans	99.99	.....	.....	72.00	144.00	360.00	360.00	240.00
Bank of Vergennes	72.00	144.00	192.00	192.00	240.00	288.00	306.00	288.00
Bank of Bennington	.....	.....	120.00	240.00	300.00	360.00	360.00	360.00
Bank of Orange	.....	.....	.....	324.00	144.00	192.00	192.00	240.00
Bank of Woodstock	.....	.....	.....	.....	.....	.....	600.00	400.00
Bank of Manchester	.....	.....	.....	.....	.....	.....	149.97	439.88
Bank of Middlebury	.....	.....	.....	.....	.....	.....	600.00	200.00
Bank of Bellows Falls	.....	.....	.....	.....	.....	.....	600.00	200.00
Bank of Newbury	.....	.....	.....	.....	.....	.....	250.00	200.00
Bank of Essex	.....	.....	.....	.....	.....	.....	.....	102.98
Farmers Bank	.....	.....	.....	.....	.....	.....	.....	201.74
Bank of Orleans	.....	.....	.....	.....	.....	.....	.....	210.00
Farmers & Mechanics Bank	.....	.....	.....	.....	.....	.....	.....	.....
Bank of Orwell	.....	.....	.....	.....	.....	.....	.....	.....
Total Bank Tax	$3,890.99	$1,862.40	$2,095.20	$3,463.20	$3,049.20	$3,712.80	$5,616.43	$5,317.70

[18] Data obtained from Vermont *General Assembly Journals,* 1828-1835; *House Journals,* 1836-1839, 1844, 1845; *Senate Journals,* 1841-1843. Itemized lists for 1843, 44, & 45 were not given but bank taxes for those years were given as $3,219.56, $3,384.67, and $3,254.29, respectively.

TABLE IX—(*Continued*)

BANKS	1836	1837	1838	1839	1840	1841	1842
Bank of Burlington	$ 809.76	$1,637.12	$ 724.96	$ 732.16	$727.68	$ 729.84	$ 360.40
Bank of Windsor	384.00	384.00	.....	.....	.....	.....	.....
Bank of Brattleborough	180.00	900.00	527.02	632.76	526.19	.....	636.33
Bank of Rutland	1,080.00	480.00	480.00	240.00	240.00	710.60	240.00
Bank of Montpelier	240.00	240.00	360.00	594.92	.....	.....	.....
Bank of Caledonia	216.00	222.00	162.00	222.00	240.00	.....	.....
Bank of St. Albans	240.00	.....	.....	120.00	480.00	.....	200.00
Bank of Vergennes	488.00	384.00	384.00	624.00	192.00	288.00	.....
Bank of Bennington	360.00	636.36	.....	.....	.....	240.00	.....
Bank of Orange	240.00	240.00	.....	1,140.00	.....	480.00	240.00
Bank of Woodstock	400.00	400.00	200.00	400.00	200.00	.....	600.00
Bank of Manchester	195.92	767.63	543.33	620.00	310.00	310.00	233.33
Bank of Middlebury	742.25	240.00	513.09	592.50	307.50	.....	506.25
Bank of Bellows Falls	400.00	400.00	.....	.....	600.00	.....	400.00
Bank of Newbury	400.00	200.00	300.00	.....	.....	.....	.....
Bank of Essex	167.48	.....	.....	.....	.....	.....	.....
Farmers Bank	403.28	543.68	.....	603.56	302.19	785.29	541.37
Bank of Orleans	90.00	150.00	.....	.....	180.00	180.00	.....
Farmers & Mechanics Bank	300.00	840.00	720.00	840.00	.....	960.00	381.50
Bank of Orwell	.....	.....	482.74	.....	.....	.....	.....
Total Bank Tax	$7,336.69	$8,664.79	$5,397.14	$7,361.90	$4,305.56	$4,683.73	$4,339.18

CHAPTER XII

North Carolina

In North Carolina, five banks played a major role in the State's efforts to finance common schools. These banks were the Bank of Cape Fear, the Bank of Newbern, the State Bank of North Carolina, the Bank of the State of North Carolina, and the Bank of North Carolina.

Stocks in these banks constituted the largest investment of the school funds, and their dividends, the chief source of revenue. The State chartered only four banks prior to 1833 of which only three, the Bank of Cape Fear, the Bank of Newbern and the State Bank of North Carolina went into operation.[1]

The Bank of Cape Fear was chartered in 1804 with a capital of $250,000 with $25,000 reserved for the State, later subscribed to in 1807. The Bank of Newbern was chartered also in 1804 with a capital of $200,000 with $25,000 reserved for the State,[2] and subscribed to in 1807.[3] The dividends from these two banks in the year ending Oct. 31, 1812, was $2,500.[4] The State Bank of North Carolina was chartered in 1810 with a capital of $1,600,000 with $250,000 reserved for the State.[5] To expedite its inauguration, the State allowed 4% of its own dividends to go to other stockholders.[6] In 1814 the charters of the first two were extended to 1835 and provisions made for increased capitalization of $525,000 and $575,000, respectively, with $100,000 more reserved for the state in each, of which $18,000 was to be a bonus,[7] and the rest was to be paid for in State Treasury Notes.[8]

---

[1] Beecher Flanagan. *A History of Banking in North Carolina to 1866.* Nashville: George Peabody College for Teachers, 1934, p. 3.

[2] Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 45; John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 545.

[3] *Laws of North Carolina,* 1807, chap. 3.

[4] *Journal of the House of Commons of the General Assembly of the State of North Carolina,* 1812, p. 27.

[5] Sumner, *op. cit.,* p. 46.

[6] Knox, *op. cit.,* p. 546.

[7] Sumner, *op. cit.,* p. 85; T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso, 1936, p. 38.

[8] Wm. K. Boyd. "The Finances of the North Carolina Literary Board". *The South Atlantic Quarterly,* July, 1914. (Vol. XIII, No. 3, p. 273.)

The bank stock investments seem to have suggested a source of financial aid to education; for on Deemcber 20, 1819, Em'l Schofer, Chairman of the Senate Committee on Education, presented a report in which the committee advised that a school fund be created and raised by proceeds from 'Cherokee Indian Lands or by appropriating part of the bank stock held by the State The fund so derived was to be in turn invested in productive stock and the profits "applied for the purpose of education."[9]

Another important suggestion for the creation of a fund for education likewise concerned bank stocks. In order to help the banks through a financial crisis, in 1821 the State bought 153 shares of State Bank of North Carolina, 53 shares of the Bank of Newbern. and 108 of the Bank of Cape Fear which were authorized by the legislature in 1820. In 1823 it came to their aid again.[10] This time by issuing $100,000 of treasury notes in denominations of 5c, 10c, 20c, 25c, 30c, 40c, 50c and 75c, which were put into circulation and accepted as a legal tender for all state dues. Not only were the bank notes and specie received in exchange for them to be invested in bank stock, but bank stock of any bank incorporated in North Carolina was likewise acceptable in exchange for them.[11] The plan resulted in the purchase of 24 shares of the State Bank of North Carolina, 333 in the Bank of New Bern, and 680 in the Bank of Cape Fear in 1826.[12]

John Haywood, who was State Treasurer at the time of the issue of the Treasury notes, in his report of 1824 stated that, "With respect to the stock to be purchased with the proceeds of the Treasury notes issued and to be issued and sold, the Public Treasurer, strictly speaking, would, perhaps, be more within the line of his official duty, were he to remain silent, whilst this stock would of course, fall into the common mass of that which is already owned by the state; but bearing in mind that the General Assembly has long and anxiously sought the means of creating a fund, without resorting to taxation, which might ultimately prove commensurate to the providing the means of education, throughout the state, for that portion of our citizens who may, from time to time, be found

[9] *Journal of the Senate of North Carolina,* 1819/20, p. 119.
[10] William K. Boyd. *History of North Carolina.* Vol. 11. New York: Lewis Pub. Co., 1919, p. 125.
[11] Marcus S. S. Noble. *A History of the Public Schools of North Carolina.* Chapel Hill: University of North Carolina Press, 1930, p. 44.
[12] *North Carolina Comptroller's Statement,* 1826, p. 14.

destitute of them; he ventures on the liberty of respectfully submitting whether this stock, should it be thought expedient so to appropriate it, might not well be considered as laying the foundation of such fund, and forming, at least, a hopeful beginning."[13]

Haywood's suggestion was followed up by Charles A. Hill of the Committee on Education, in the 1824-25 legislature,[14] to which, on December 6, 1824, he reported a bill to create a fund for the purpose of educating poor children.[15] This bill provided that "all the Bank Stock, which shall be acquired by this State, through the investment of the proceeds of the Treasury Notes ordered to be issued by the last General Assembly;" together with certain license taxes "are appropriated as a fund for the purpose aforesaid."[16]

Although this bill was rejected on Dec. 30, 1824 by the House on the first reading, the bill he introduced a year later, Dec. 22, 1825,[17] entitled "An act to create a fund for the establishment of Common Schools" passed the Assembly on Jan. 4, 1826, and became a law.[18] It created a Literary Fund for the support of common schools and appropriated to that end "the dividends arising from the stock now held, or which may hereafter be acquired by the State in the Bank of Newbern and Cape Fear and which have not heretofore been pledged and set apart for internal improvements;" besides the dividends from certain bank stocks, licenses, etc.[19]

In accordance with the provisions of the act passed January 4, 1826, the organization meeting of the Literary Board in charge of the fund met on January 16, 1827 and B. Yancey was directed to draft a report to the Legislature.[20] This first report was presented February 1, 1827 and showed that pursuant to the act the fund had received $12,724.95½ of which $1,956 was dividends from the

---

[13] *Report of John Haywood, Treas., to Assembly, 1824,* quoted in Chas. L. Coon. *The Beginnings of Public Education in North Carolina. A Documentary History, 1790-1840.* 2 vols. Raleigh: Edwards and Broughton Printing Co., 1908, p. 236.

[14] *Journal of the Senate of North Carolina,* 1824/25, p. 42.

[15] *Ibid.*

[16] *Unpublished Legislative Documents,* 1824/25, quoted in Coon, *op. cit.,* p. 222.

[17] *Journal of the Senate of North Carolina,* 1825/26, pp. 58-59.

[18] *Acts passed by the General Assembly of the State of North Carolina,* 1825, ch. 1.

[19] *Ibid.*

[20] *MS. Records of Literary Board,* quoted in Coon, *op. cit.,* p. 345.

Bank of Cape Fear, $884 dividends from the Bank of Newbern. and the rest from license, retailers' tax and the entry of vacant lands.[21]

The report stated that, "We should build the Literary Fund, intended as the basis of Public Instruction, upon a good foundation. This can only be done by creating a fund of respectable amount, & vesting it all in an annual productive stock, relying on the interest to defray the annual expenses of the Schools. It is fortunate for our State that she has so managed her finances for a few years past, that she has it now completely in her power to set apart a portion of her funds to the aid of common schools, which may bring them into operation in two or three years, without disturbing the principal of the sum which may be pledged for that purpose. The State owns, at this time,

In the State Bank of No. Ca. 2762 shares of the value of....$276,200
In the Bank of Newbern 1663 shares value of $166,300
In the Bank of Cape Fear 2057 shares value of $205,700

"Of this stock the dividends arising from that in the State Bank, are now applied to the ordinary expenses of the government, & those arising on the stock held in the Newbern Bank & Bank of Cape Fear, previous to 1821, have been set apart and are now applied to the purpose of Internal Improvement, & consist of

In the Bank of Newbern 1304 shares, of the value of $130,400
In the Bank of Cape Fear 1358 shares, of the value of $135,800

"The dividends on the remaining stock in the Bank of Newbern & Cape Fear are pledged to the purposes of the Literary Fund & consist of

In the Bank of Newbern 359 shares, of the value of $35,900
In the Bank of Cape Fear 699 shares, of the value of $69,900

"It is respectfully recommended, that the stock now owned by the State and purchased since 1821, and that which may hereafter be acquired in the Banks of Newbern & Cape Fear, be transferred to the President & Directors of the Literary Fund, for the benefit of common schools."[22]

"The benefit to be derived from an appropriation of the stock to the Literary Fund, is, that it would establish, at once, a permanent certain fund, upon which the State could rely, to carry into operation the system of schools in a short time. The annual interest to be derived from it, would be certain in amount, & after the system shall have commenced with such a fund, no reasonable fears could be entertained of their discontinuance."[23]

The bill to transfer the stock owned by the State in the Bank of Newbern and the Bank of Cape Fear since 1821,[24] was introduced the same day, but was indefinitely postponed on February 9, 1827.[25]

---

[21] *Ibid.*, p. 346; Noble, *op. cit.*, p. 47.
[22] *MS. Records of Literary Board,* quoted in Coon, *op. cit.*, pp. 349-350.
[23] *Ibid.*, p. 351.
[24] *Journal of the Senate of North Carolina,* 1826/27, p. 75.
[25] *Ibid.*, p. 101.

In November, 1827, John Haywood, the treasurer, died and the suspicions surrounding a deficit resulted in an investigation which revealed a shortage of $28,184.32½. The deficit was made up in 1830-31 by the State.[26]

The Second Report of the Literary Board shows that on February 11, 1827, it had directed the Treasurer to purchase $7,800 of bank stock[27] and that its receipts for the year ending Nov. 1, 1827 amounted to $23,702.37 and totalled $36,007.32½ to date. Of the year's receipts, $2,692.50 were dividends from the Bank of Newbern, $4,209.00 from the Bank of Cape Fear, and $17.50 from 5 shares of the State Bank of North Carolina, totalling $6,919.00 in bank dividends.

The Third Report of the Literary Board, dated December, 1828, shows that the fund amounted to $77,811.62½[29] and contained the following bank stocks as of the 1st of November, 1828.[30]

State Bank of North Carolina	$28,200	($20,400 acquired
Bank of Newbern	14,100	previous year)
Bank of Cape Fear	5,000	
	$47,300	

In the year ending Nov. 1, 1830, bank dividends contributed $2,918.00 toward the receipts of the year totalling $31,371.52½[31] and including the balance of unexpended cash of Nov. 1, 1829.

The dividends received were:

On 282 shares of State Bank of N. C.	$1410.00
On 50 shares of Cape Fear Bank	100.00
On 70 shares of Cape Fear Bank dividends appropriated	1408.00
	$2918.00

[26] Noble, *op. cit.*, pp. 47-48.

[27] *MS. Records of Literary Board* quoted in Coon, *op. cit.*, p. 384.

[28] Edgar W. Knight. *Public School Education in North Carolina.* New York: Houghton Mifflin Co., 1916, p. 90.

[29] *Ibid.*, Coon, *op. cit.*, pp. 418-419; S. B. Weeks. "The Beginnings of the Common School System in the South, or Calvin Henderson and the Organization of the Common Schools of North Carolina." *Report of the Commissioner of Education,* 1896/97. Washington: Government Printing Office, 1898, Vol 11, p. 1419.

[30] Boyd, *op. cit.*, p. 125; Idem. *Currency and Banking in North Carolina, 1790-1836.* Historical Papers of the Trinity College Historical Society, (Series X, 1914), p. 23; Coon, *op. cit.*, pp. 418-419.

[31] *Treasurer's Report,* 1830, appended to *Laws of North Carolina,* 1830/31, p. 3.

On December 22, 1830, Mr. Archibald Monk introduced a bill into the House asking that the 704 shares of Cape Fear stock referred to above and also the 350 shares of stock owned by the State in the Bank of Cape Fear be appropriated to the Literary Fund. The bill was rejected.[32]

For the year ending Nov. 1, 1831, the bank stock dividends amounted to $3,390.00 and the balance in the fund, $74,476.48½.[33]

For the year ending Nov. 1, 1832, the bank dividends were $1,128.00[34] and the balance in the fund $88,165.61½.[35] The dividends were on the 282 shares of the State Bank of North Carolina.

The report of the literary board for the year ending November 1, 1833 shows $18,180.00 in bank dividends and the total cash in the fund at $117,024.81½[36]

In 1833, the State chartered the Bank of the State of North Carolina[37] with a capital of $1,500,000 of which two-fifths was reserved for the State,[38] and on January 13, 1834, the President and Directors of the Literary Fund directed that 1200 shares ($120.-000) be subscribed in the bank.[39]

The fund as of November 1, 1834 showed total cash of $139,-403.99½ less $120,000 spent for stock which left a cash balance of $19,403.99½[40] The bank dividends that year were:[41]

State Bank of North Carolina	$ 564.00
Bank of Cape Fear	150.00
State Bank of North Carolina (Feb. & Sept. 18, 1834)	8,460.00
Bank of Newbern, January, 1834	2,820.00
Dividends from Bank of Cape Fear appropriated to the fund	2,112.00

By a resolution of January 3, 1835, the Literary Board directed the Treasurer to buy as many shares of the Bank of State of North Carolina as the funds would pay for.[42]

---

[32] *Unpublished Legislative Docs.*, 1830/31, quoted in Coon, *op. cit.*, p. 470.
[33] *North Carolina Treasurer's Report*, Nov. 1831, pp. 6 & 7; *Laws of North Carolina*, 1831/32, p. 3.
[34] *North Carolina Treasurer's Report*, 1832, pp. 5-6.
[35] *Ibid.*
[36] Weeks, *op. cit.*, Vol. 11, p. 1419; Coon, *op. cit.*, p. 642.
[37] *Acts Passed by the General Assembly of the State of North Carolina*, 1833/34, p. 20, Chap. 111.
[38] Cramer, *op. cit.*, p. 39; Sumner, *op. cit.*, p. 238.
[39] *Legislative Docs.*, 1834, quoted in Coon, *op. cit.*, p. 692.
[40] Weeks, *op. cit.*, p. 1419.
[41] *Legislative Docs.*, 1834, quoted in Coon, *op. cit.*, pp. 691-692.
[42] *MS. Records of the Literary Board* quoted in Coon, *op. cit.*, p. 725.

The shares purchased during that year were as follows:[43]

Jan. 5—240 shares of the Bank of State of North Carolina	$24,000
May 4—110 shares of the Bank of State of North Carolina	11,000
July 15—76 shares of the Bank of State of North Carolina	7,600
Oct. 2—40 shares of the Bank of State of North Carolina	4,000
Total for stock	$46,600

The receipts during the year ending Nov. 1, 1835 totalled $29,-670.72 which with the balance of the previous year aggregated $49,074.71 of the receipt, of which over $20,000 came from the bank dividends. The balance on hand after expenditures for stock, etc., was $1,167.08.[44]

The resources of the fund showed the following stocks therein:[45]

1666 shares the Bank of the State of North Carolina
50 shares The Bank of Cape Fear
141 shares The Bank of Newbern
282 shares The State Bank of North Carolina
704 shares The Bank of Cape Fear of which the dividends appropriated to the Literary Fund.

On Nov. 1, 1836, the Treasurer's Report showed that the income for the year was $32,642.72, almost entirely from bank dividends. The balance after expenditures for more stocks, etc., was $3,845.09.[46]

The stocks had increased since Oct. 2, 1835 by the addition of 276 shares of The Bank of the State of North Carolina which brought the total in that bank up to 1,942. The other bank stocks in the fund were:[47]

50 shares of the Bank of Cape Fear
141 shares of the Bank of Newbern
283 shares of the State Bank of North Carolina

With the exception of the increase by the 276 shares of The Bank of the State of North Carolina, these are the same as for the year preceding.

---

[43] *North Carolina Legislative Docs.*, 1835, No. 3, *Report of the President and Directors of the Literary Board of North Carolina*, p. 4.

[44] *Ibid.*, p. 5.

[45] *Ibid.*, Table A.

[46] *Journal of the House of Commons of the General Assembly of the State of North Carolina*, 1836/37, p. 256.

[47] *Ibid.*

On January 2, 1837, the Joint Select Committee of Twenty-Six, who had been appointed to inquire into the best improvement of the Surplus Revenue to be received from the Federal government, submitted a report. In it they opposed the establishment of a bank owned wholly by the State and based on the surplus. They did recognize Common Schools and Internal Improvements as of first importance and recommended that half of the surplus be devoted to each, the schools' share to be invested by placing $400,000 in stock of the Bank of Cape Fear and increasing that bank's capital by $1,500,000; and by subscribing 5000 shares ($500,000) of capital stock of the Bank of the State of North Carolina and increasing its capital to $2,000,000.[48]

On Jan. 23, 1837, the charter of the Bank of Cape Fear was extended until 1860. Its capital was increased by $1,500,000 of which the State reserved $300,000 for itself.[49]

By an act ratified January 20, 1837, "all the shares of stock owned by the State in the Bank of the State of North Carolina, excepting one thousand shares of stock now held in said bank in the name of the president and directors of the Literary Fund, making in all, five thousand shares; and also five thousand shares of stock in the capital of the Bank of Cape Fear, and the profits and dividends arising from said stock" shall be vested in the President and Directors of the Literary Fund.[50]

North Carolina's share of the Surplus Revenue amounted to $1,433,757.39.[51] With the exception of $100,000 which was used for State expenses, the rest of the money eventually was put into the educational fund.[52] By another act ratified January 20, 1837, $300,000 of the amount was used directly to pay for stock sub-

---

[48] Flanagan, *op. cit.*, pp. 207-208.

[49] *Laws of the State of North Carolina,* 1836/37, ch. 1, p. 6.

[50] *Ibid. Laws of the State of North Carolina,* 1836/37, ch. 23.

[51] *North Carolina Legislative Documents,* 1844/45. Senate Doc. 10, *Annual Report of Comptroller,* p. 3; Weeks, *op. cit.*, p. 1419; Charles Lee Smith. *The History of Education in North Carolina.* U. S. Bureau of Education. Circular of Information, No. 2, 1888. Washington: Government Printing Office, 1888, p. 168.

[52] Knight, *op. cit.*, p. 95; E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York: E. G. Putnam's Sons, 1885, p. 93; E. P. Cubberley and E. C. Elliot. *State and County School Administration.* New York. MacMillan Co., 1922, p. 56.

scribed in the Bank of Cape Fear,[53] and $300,000 to redeem Cherokee land scrip issued to pay the State's subscription for stock of the Bank of the State of North Carolina which constituted part of the Literary Fund. Wilmington Railroad Company stock to the amount of $533,757.39 was also bought and placed in the fund.[54]

In a report of the Literary Board, dated December 4, 1838, and read to the House of Commons,[55] the permanent property of the fund was estimated at $1,722,485.00, of which $1,020,700 consisted of 5,000 shares of the Bank of the State of North Carolina, and 5,207 shares of the Bank of Cape Fear; and $600,000 of the amount was invested in the Wilmington and Raleigh Railroad Company of which the dividends went to the fund. The estimated income was $110,000, the bank stock being above par. This income was considered inadequate to establish free schools and that a school tax should be voted.[56]

Finally, the debate led to the enactment on January 8, 1839, of "An act to divide the Counties of the State into School Districts and for other purposes," whereby $40 per school district was alloted from the fund provided they raised $20 each by taxation.[57]

By 1840, the trustees of the Literary Fund had invested $140,000 in bonds of the Raleigh and Gaston Railroad and $85,000 in bonds of the Wilmington and Weldon Railroad.[58] In 1842 and 1843, more railroad investments were made. In 1842, the chairman of the finance committee questioned the governor's action in making the investments in railroad bonds when in the opinion of the majority of the committee the investments should be made in bank stocks. The Governor stated that his reason for the investment in railroad bonds was that the banks had suspended specie payments at the time and were paying dividends of only 3% or 2½%. A committee appointed to investigate the matter expressed itself as satisfied with the fact that the investments were amply secured or indorsed

---

[53] *Laws of the State of North Carolina,* 1836/37, p. 127, Chap. XXII; See also *North Carolina Legislative Docs.,* 1844/45, Senate Doc. 10, *Annual Report of Comptroller,* pp. 42-45; *North Carolina Legislative Docs.,* 1837/38, *Report of Public Treasurer,* Nov. 1838, pp. 10-11.

[54] Bourne, *op. cit.,* p. 92; Coon, *op. cit.,* p. 800; Noble, *op. cit.,* pp. 49-50.

[55] *Journals of the Senate and the House of Commons of the General Assembly of North Carolina,* 1838/39, p. 365.

[56] Weeks, *op. cit.,* p. 1419; Coon, *op. cit.,* pp. 834-35.

[57] *Laws of the State of North Carolina,* 1838/39, Chap. 8, p. 13.

[58] William K. Boyd. *History of North Carolina.* Vol. 11, New York: Lewis Pub. Co., 1919, pp. 248-249.

by the State, but it didn't satisfy the committee on finance as to the method of investment.[59]

In 1852 the Literary Fund amounted to $1,538,995.46 of which $532,200.00 represented 5,322 shares of Bank of Cape Fear stock and $502,700.00 represented 5,027 shares of Bank of the State of North Carolina.[60]

The 1856-7 session of the legislature extended the charters of the Bank of the State of North Carolina and of the Bank of Cape Fear in which the State reserved 500 shares in each.[61] However, the extention of the charter of the Bank of the State was not carried out.[62] In refusing to accept the recharter, the Committee of Stockholders in its Memorial[63] reminded the Legislature that the Literary Board had received from the Bank from 1835 to 1856 the sum of $824,609.75. The University received $160,000, and the State $49,405.50 in taxes, making in all $974,015.25 or about double the original subscription. It had also loaned the State about $100,000 annually.

The liquidation of the Bank of the State of North Carolina was provided for by the 1858-59 session of the General Assembly, and the Bank of North Carolina was chartered as its successor.[64] Of its 2½ million dollar capital, about $500,000 was reserved for the school fund and $200,000 for the university fund,[65] thereby making literary and other funds part of its capital.[66] The charter provided, "That the public treasurer shall subscribe on behalf of the president and directors of the literary fund for an amount of stock equal to that now held by the literary fund in the Bank of the State of North Carolina."[67]

In accordance therewith, the $502,700 investment which had been in the Bank of the State of North Carolina was transferred to the

---

[59] For detailed discussion of this phase, see Noble, *op. cit.*, pp. 113-117.

[60] Weeks, *op. cit.*, p. 1431.

[61] *Private Laws of the State of North Carolina,* 1856/57, ch. 43, p. 3.

[62] Sumner, *op. cit.*, p. 431.

[63] *North Carolina Executive & Legislative Documents,* 1856/57, Doc. 20.

[64] *Private Laws of the State of North Carolina,* 1858/59, ch. 67, pp. 6-17.

[65] Knox, *op. cit.*, p. 554; Cramer, *op. cit.*, p. 39.

[66] Sumner, *op. cit.*, p. 431.

[67] *Charter and By-Laws, Rules and Regulations of the Bank of North Carolina.* Raleigh: W. W. Holden, 1859, p. 4; *Private Laws of the State of North Carolina,* 1859, ch. 67. p. 71.

Bank of North Carolina.[68] In addition to the capital dividend of $502,700.00, the fund received $74,548.00 in bank dividends, making a total receipt of $810,175.12.[69]

At the meeting of the Literary Board, held on March 18, 1865, provision was made for the preparation of duplicate lists of the bonds and securities belonging to the Literary Fund and for the burning of the assets thereof in case that became necessary to prevent them from falling into the hands of the Union Army.[70]

In response to a movement to use the Literary Fund, estimated at about $880,000 to pay off the State's debts, Superintendent Wiley, in his report to Governor Worth,[71] opposed the movement and presented two plans for putting the bank stocks to use for the benefit of the schools.

The first plan proposed the issue of certificates of indebtedness, "in sums convenient for general circulation," which would be receivable for state dues and would bear interest at one percent. A similar plan had been tried in colonial North Carolina in 1754 when 6,000 pounds in bills of credit (colonial paper money) were to be applied for the purpose of founding a public school.[72]

In the second plan it was proposed that the stocks belonging to the fund be converted into national securities as the basis for the establishment of a national bank managed by the Literary Board.

Neither the efforts of Supt. Wiley, nor the suggestions of Governor Worth in regard to a bank[73] were to any avail. The legislature placed the funds in the public treasury, abolished the office of superintendent, and made the levying and collecting of taxes for the support and maintenance of common schools discretionary with the county courts.[74]

---

[68] William K. Boyd. "The Finances of the North Carolina Literary Board." *The South Atlantic Quarterly,* (Vol. XIII, No. 4, p. 364).

[69] *North Carolina Executive and Legislative Docs.,* 1860/61, *Annual Report of the Comptroller,* p. 5; Haywood Arnold Perry. *Sources and Distribution of State School Funds in North Carolina.* Master's, 1933, Durham, N. C.: Duke University, 1933, p. 42.

[70] Noble, *op. cit.,* pp. 248-249.

[71] *North Carolina Executive & Legislative Documents,* 1865/66. Document, VII, p. 34.

[72] *Laws of North Carolina,* 1754, Chap. 1, Sec. 12, in Walter Clark, ed. *The State Records of North Carolina.* Goldsboro: Nash Brothers, 1904, Vol. XXIII (Laws, 1715-1776). See also Wm. L. Saunders, ed. *Colonial Records of North Carolina.* Raleigh, 1886. Vol. V, p. XXV.

[73] *Journal of the House of Commons of the General Assembly of the State of North Carolina,* January 1866, pp. 10-13.

[74] Noble, *op. cit.,* p. 279.

When the State conformed with the Constitution of 1868, Rev. S. S. Ashley became superintendent of instructions. In his report of November 10, 1868, to the General Assembly, the Literary Fund, under the new title of Educational Fund, owned $1,676,600 in stock, of which $502,700 was in shares of the Bank of North Carolina, and $544,400 in shares of the Bank of Cape Fear. This amount of $1,047,100 was considered worthless.[75] In 1869, all the railroad stock was sold to W. T. Walters, of Baltimore for $158,000 and the proceeds invested in State bonds. The bonds were repudiated by the State in 1870 and the schools were forced to rely for support on State, county and municipal taxes.[76]

---

[75] See also the *Report of the President and Directors of the Literary Board of North Carolina* of the previous year in *Executive and Legislative Docs. of North Carolina*, 1866/67, Doc. No. 18, pp. 1-2.

[76] *Biennial Report of the Superintendent of Public Instruction of North Carolina for the Scholastic Years, 1896/97, and 1897/98*, pp. 568-571; Weeks, *op. cit.*, pp. 1462-1463.

TABLE X

Bank Stock in the North Carolina Literary Fund.[77]

	1827	1828	1834
Bank of Newbern	.....	$ 14,100.00	$ 14,100.00
Bank of Cape Fear	.....	5,000.00	5,000.00
State Bank of North Carolina	$ 7,800.00	28,200.00	28,200.00
Bank of the State of N. C.	.....	.....	120,000.00
Bank of No. Carolina	.....	.....	.....
Total Bank Stock	$ 7,800.00	$ 47,300.00	$ 167,300.00

	1835	1838	1860
Bank of Newbern	$ 14,100.00	.....	.....
Bank of Cape Fear	5,000.00	520,700.00	544,400.00
State Bank of North Carolina	28,200.00	.....	.....
Bank of the State of N. C.	166,600.00	500,000.00	.....[78]
Bank of No. Carolina	.....	.....	502,700.00
Total Bank Stock	$ 213,900.00	$ 1,020,700.00	$ 1,047,100.00

	1866	1868
Bank of Newbern	.....	.....
Bank of Cape Fear	$ 544,400.00	$ 544,400.00
State Bank of N. C.	.....	.....
Bank of the State of N. C.	.....	.....
Bank of North Carolina	502,700.00	502,700.00
Total Bank Stock	$ 1,047,100.00	$ 1,047,100.00[79]

[77] See *Reports of the President and Directors of the Literary Board, Treasurer* and *Superintendent of Public Schools.*

[78] This sum was received during the fiscal year ending Sept. 30, 1860, as capital stock dividend of the Bank of the State of North Carolina (*Annual Report of Comptroller,* Doc. No. 7, *Executive and Legislative Docs.,* 1860/61).

[79] Value lost through the Civil War.

TABLE XI

Bank Dividends in Relation to Expenditures for North Carolina Schools.[80]

Year	Bank Dividends	Expenditures for Common Schools
1842	$ 44,555.00	$ 65,297.24
1843	63,269.75	46,424.92
1844	58,028.75	117,897.10
1845	63,350.75	61,566.01
1846	68,377.75	96,712.01
1847	73,404.75	96,511.31
1848	73,404.75	101,530.04
1849	73,404.75	99,499.38
1850	76,065.75	107,339.00
1851	94,102.75	81,329.61
1852	94,102.65	144,351.13
1853	94,102.75	120,545.63
1854	99,643.00	153,736.79
1855	78,746.75	82,688.88
1856	131,101.75	177,479.02
1857	124,568.95	180,751.38
1858	95,078.75	179,087.48
1859	98,009.25	172,051.69
1860	577,248.00	186,054.11
1861	104,710.00	131,886.75
1862	84,602.00	64,812.81
1863	99,683.00	131,150.93
1864	158,647.30	147,829.24[81]

[80] Data taken from *Annual Reports of the Comptroller.*

[81] Big expenditures were made for Confederate and State bonds this fiscal year. By the next two years the income dwindled to nothing and the bank stock was considered a loss. See *Report of Literary Board,* Doc. 18 of *Executive and Legislative Documents,* 1866/67.

CHAPTER XIII

Tennessee

Banking was so related to educational finance in Tennessee that. Sumner, in commenting on it, said, "A peculiar feature of the history of Tennessee was the excessive degree to which the educational organization of the State was entangled with its banking . . . "[1] This was due in part to the fact that the school fund began to accumulate early,[2] and was used freely "in making loans and in buying bank stock."[3]

The first bank in which the State held stock was styled "The President, Directors and Company of the Bank of the State of Tennessee," chartered Nov. 20, 1811.[4] Its capital was set at $400,000, in shares of $50 each, of which $20,000 was reserved for, and taken by, the State with the understanding that it might withdraw at the end of ten years.[5]

The parent bank was located at Knoxville with Hugh Lawson White as president. It was the stock of this bank which was constituted a school fund in 1827[6] along with all the capital of the new State Bank, except the one-half of the sum already received, and the income on that capital.[7] However, the policy of investing college

---

[1] Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations.* Vol. 1) New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 151.

[2] *Proceedings of the Twenty-Eighth Annual Convention of the Tennessee Bankers Association,* 1918, p. 126.

[3] Claude A. Campbell. *The Development of Banking in Tennessee.* Nashville: Vanderbilt Univ., 1932, p. 32; *Proceedings of the Twenty-Eighth Annual Convention of the Tennessee Bankers Association,* 1918, p. 126.

[4] *Acts of the State of Tennessee,* 1811, p. 43, chap. 79.

[5] *Proceedings of the Twenty-Eighth Annual Convention of the Tennessee Bankers Association,* 1918, p. 126; T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Association, 1936, p. 49; John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 649.

[6] *Acts of the State of Tennessee,* 1827, ch. 64.

[7] *Idem,* 1827, Chap. 64; *American Almanac and Repository of Useful Knowledge.* Boston: James Munroe & Co., 1845, p. 269.

and academy funds in stock of the Bank of the State of Tennessee was begun in accordance with an act of November 22, 1817,[8] the first of a series of such bank investments.[9]

The new bank referred to in the act "appropriating a fund for the support of common schools in the State of Tennessee," was the Bank of the State of Tennessee[10] (No. 2), incorporated July 26, 1820, with an authorized capital of $1,000,000 based on State funds.[11]

The proceeds of the Hiwassee lands were ordered to be vested in the bank as part of its capital in 1820.[12] In 1823 [13] and 1826,[14] the legislature directed that the income be transferred for the benefit of the common schools. The latter act specifically directed the Bank of the State of Tennessee to credit the common school fund with the income. Shortly after, in 1827, the capital of this bank and the State's stock in the first bank were constituted a school fund.[15]

By 1831, the various exactions the State was making in the Bank of the State of Tennessee (No. 2) for internal improvements and other needs, were draining its resources to such an extent that the bank got into financial difficulties[16] and was abolished in 1832.

On December 20, 1831, an act was approved to incorporate another Bank of the State of Tennessee,[17] at Nashville with a capital of $2,000,000 of which the State was to subscribe $500,000. The Bank of the State of Tennessee, which had been incorporated in 1811, was to pay over to it the $20,000 the State had subscribed to it. The latter sum was to be apportioned among the counties for schools in the manner provided in an act of January 11, 1830.[18]

The plans for a Bank of the State of Tennessee, 1831, did not materialize and a charter, almost identical in nature was granted to the Union Bank of Tennessee,[19] on October 18, 1832,[20] with a capital

---

[8] *Acts of the State of Tennessee,* 1817, pp. 205-209.
[9] Campbell, *op. cit.,* p. 33.
[10] *Acts of the State of Tennessee,* 1827, Chap. 64; *American Almanac, op. cit.,* 1845, p. 269.
[11] *Acts of the State of Tennessee,* 1820, Chap. 7.
[12] *Ibid.,* Chap. 8.
[13] *Idem,* 1823, pp. 8-9.
[14] *Idem,* 1826, Chap. 39.
[15] *Idem,* 1827, Chap. 64.
[16] Sumner, *op. cit.,* p. 151. Cramer, *op. cit.,* p. 49; Knox, *op. cit.,* p. 652.
[17] *Public Acts of the State of Tennessee,* 1831, pp. 4-11.
[18] Sumner, *op. cit.,* p. 252.
[19] Campbell, *op. cit.,* p. 66.
[20] *Public Acts of the State of Tennessee,* 1832, pp. 2-13.

limited to $3,000,000, half of it reserved for the State.[21] The profits on the State stock, after the interest was paid on the bonds that were issued to finance the State's subscription,[22] were for the establishment of common schools.[23] The bonus was likewise set aside for the cause of education.[24] This bonus was an annual tax of one-half of one percent on the capital stock paid in.[25] By these provisions the common schools were to receive the profits, the bonus, and the interest on the deposits.[26]

In the years following the incorporation of the Union Bank, there were a number of instances in which a bonus (tax) was exacted from various banks, the proceeds to go to the common school fund. The following are instances of these:

1833 Planters Bank of Tennessee, ½ of 1% capital stock paid in.[27]

1833 Farmers and Merchants Bank of Memphis, ½ of 1% of capital stock paid in.[28]

1843 Bank of East Tennessee, ¼ of 1% capital stock paid in.[29]

1847 Lawrenceburg Bank of Tennessee. Equivalent to that paid by the Planters Bank.[30]

1851 Citizens Bank of Nashville and Memphis, ½ of 1% of capital stock paid in.[31]

1851 Banks in general, 25c out of each $100 of capital.[32]

On February 19, 1836, the Superintendent of Public Instruction was directed to wind up the land claims, loans, etc., of the Bank of the State of Tennessee (No. 2), and to invest the proceeds thereof in stock of the Planters' Bank for the benefit of the School Fund.[33]

The Planters' Bank of the State of Tennessee was incorporated on November 11, 1833,[34] with a capital set at $2,000,000[35] and a tax

---

[21] Alexander Trotter. *Observations on the Financial Position and Credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Brown, Green and Longmans, 1839, pp. 257-258.

[22] The first instance in this state according to Campbell, *op. cit.*, p. 66.

[23] Trotter, *op. cit.*, pp. 257-258; Sumner, *op. cit.*, pp. 252-253.

[24] *Public Acts of the State of Tennessee,* 1832, p. 6, sec. 7.

[25] *Ibid.*, p. 9, sec. 11.

[26] Campbell, *op. cit.*, p. 66.

[27] *Acts of the State of Tennessee,* 1853/54, in which see a "Compilation of Common School Laws," page 3, ch. 34, sec. 9.

[28] *Ibid.*, p. 3, ch. 54, sec. 15.

[29] *Ibid.*, p. 8, ch. 60, sec. 18.

[30] *Ibid.*, p. 9, ch. 207, sec. 6.

[31] *Ibid.*, p. 12, ch. 204, sec. 11.

[32] *Ibid.*, p. 10, ch. 113, sec. 2.

[33] Sumner, *op. cit.*, p. 253.

[34] *Public Acts of the State of Tennessee,* 1833, pp. 30-42.

[35] *Ibid.*

of ½ of 1% on the amount thereof paid in by the stockholders.[36] This bonus was to be used for the common schools.[37] In 1844, $244,500 of the $1,350,324.49 school fund consisted of Planters Bank Stock.[39] In 1865, this bank and the Union Bank were forced into liquidation because of the passage of the National Bank Act.[38]

On January 19, 1838, Tennessee chartered the Bank of Tennessee, under an act entitled, "An act to establish a State Bank to raise a fund for internal improvements and to aid in the establishment of a system of education."[40] Its charter was to run for thirty years and the bank was to be capitalized at $5,000,000 with the State as the only owner. The capital of the bank was to consist of the proceeds from the sale of State Bonds, the whole school fund, the Ocoee land sales and the Surplus Revenue.[41] Although $2,500,000 was to be raised by the sale of Tennessee bonds and a like amount contributed by the other items,[42] only $1,000,000 was issued in bonds.[43]

Sec. 3 of the act provided,[44] "That the money belonging to the common school fund, which now may be in possession of the superintendent of public instruction, or which may hereafter come into his possession, shall be handed over to the president and directors of the Bank of Tennessee, as capital in said bank, and said president and directors, or a majority of them, shall be authorized and required for and in behalf of the State, and with a pledge of the public faith and credit, to issue to the superintendent aforesaid, State stock or certificates of debt for such sum or sums as may be from time to time paid over by the superintendent to the said president and directors; and the Governor of the State, the Comptroller of the Treasury, and the Superintendent of Public Instruction, shall dispose of the stock in any and all the banks of the State, belonging to the common school fund, whenever the same can be sold at par for specie, or funds convertible into specie, at par value, and pay over the proceeds to the president and directors of the bank, who shall issue certificates of stock to the superintendent of public instruction as aforesaid: Provided, that any dividends on the same, which shall

---

[36] *Ibid.*, p. 38, sec. 9.
[37] *Ibid.*, p. 40, sec. 20.
[38] American Almanac, *op. cit.*, 1845, p. 270.
[39] Knox, *op. cit.*, p. 653.
[40] *The Charter of the Bank of Tennessee.* Memphis Bulletin Co., 1858, p. 4; *Acts of the State of Tennessee,* 1853/54. "Compilation of Common School Laws," p. 5; Trotter, *op. cit.*, p. 261. See also *Journal of the Senate of the State of Tennessee,* 1837/38, pp. 614-618.
[41] L. Carroll Root. "States as Bankers", *Sound Currency.* April 15, 1895 (Vol. 2, No. 10, p. 237); Swift, *op. cit.*, 144 and 397; Sumner, *op. cit.*, p. 326-27; Knox *op. cit.*, p. 653; Cramer, *op. cit.*, p. 49; Trotter, *op. cit.*, p. 261.
[42] Campbell, *op. cit.*, p. 95.
[43] Root, *op. cit.*, pp. 237-238.
[44] *"Compilation of Common School Laws"* in *Laws of the State of Tennessee,* 1853/54, pp. 4 and 5.

not be declared at the time of the sale, shall not be sold with the stock, but the same shall be received by the superintendent and paid over to the president and directors of the bank, and shall constitute a part of the contingent fund, to meet the annual or semi-annual liabilities of the bank, as shall also the interest and dividends which may hereafter arise on any portion of the capital of the school fund, before said capital is paid over to the president and directors of said bank; and in like manner the superintendent of public instruction shall pay over the proceeds of the sale of the Ocoee lands as they are received, and take certificates of stock; provided, that if a system of common schools shall be adopted and put into operation, by the present General Assembly, the funds which may accrue after the year 1837, for the benefit of common schools, from the bonuses of the present banks, and bonuses and dividends arising from other incorporate companies, and from privileges, fines, penalties and taxes, shall constitute part of the annual fund for distribution by the superintendent, and shall not be subscribed in stock in the State Bank. But should a system of common schools not be adopted as aforesaid, then said funds to be vested in stock in said bank, until otherwise directed by the General Assembly."

This directed that the Planters Bank stock and the Union Bank stock be transferred to the Bank of Tennessee.[45] Although the School Fund proceeds and the School Fund from the Ocoee land sales were immediately placed among the items comprising the capital, it was years later that the School Fund stocks of the Union and the Planters' Banks amounting to $38,894 and $232,700, respectively, were likewise added to its capital.[46]

The Surplus Revenue included in the bank's capital was that distributed by the Federal Government by act of June 23, 1836,[47] by which Tennessee received $1,433,757.58.[48] Although this sum was at first deposited with the Union Bank and the Planters Bank, it was later paid over in two instalments, beginning January 1, 1839, to the Bank of Tennessee as required by an act of January 19, 1838.[49]

In return for the benefit of the various funds invested in the Bank of Tennessee, Sec. 8, provided, "That of the dividends which shall be declared by the bank, one hundred thousand dollars shall be annually set apart for common schools, and the faith of the State

---

[45] Root, *op. cit.*, p. 237.

[46] *Ibid.*, pp. 237-238.

[47] *U. S. Statutes at Large*, Vol. V, p. 55.

[48] E. G. Bourne. *The History of the Surplus Revenue of 1837*. New York: E. G. Putnam's Sons, 1885, p. 110; E. P. Cubberly & E. C. Elliot. *State and County School Administration*. New York: Macmillan Co., 1922, p. 56.

[49] *Acts of the State of Tennessee*, 1838/39, p. 154; *The Charter of the Bank of Tennessee*. Memphis: Memphis Bulletin Co., 1858.

is hereby pledged, for an annual appropriation of the said amount to common schools, to be applied as the General Assembly may direct."[50]

A supplementary act passed January 26, 1838, directed each of the branches to send dividends of the net profits semiannually to the principal bank for payment of the interest on the bonds and the dividends to the schools and academies.[51] An estimate indicates that the sum received by the schools actually was similar to receiving about 6% or 7% on the investments.[52]

The $100,000 as required by Sec. 8 was set aside regularly for common schools[53] and was enlarged by various bonuses, of which, the $10,000 paid by the Planters Bank in 1845 and in 1846, and the $3,000 paid by the Memphis Bank in each of the same years[54] are examples. However, the common schools did not always receive the total amount available for distribution in a particular year.[55] Sometimes they received less, and other times they received more than the receipts as Table XII shows.[56]

The Bank of Tennessee was of such importance to the School Fund that an act of 1847 appointed the President and Directors of the Bank of Tennessee the School Fund Commissioners.[57]

In the 1847-1848 session of the Legislature, the governor made a number of suggestions to alleviate the burdens of the bank.[58] One was that the annual distribution to the Schools and Academies be decreased. Another was that the Schools receive only the profits actually earned by the Common School Fund. This would lower the distribution to about $78,000. A third suggestion was that a sinking fund be created by postponing the School distribution for five years, thereby enabling $125,000 to be annually available for the Schools.

---

[50] *Acts of the State of Tennessee,* 1837, ch. 107; *Acts of the State of Tennessee,* 1853/54. "Compilation of the Common School Laws", p. 5; Trotter, *op. cit.,* p. 262; T. H. Abernethy. "Early Development of Commerce and Banking in Tennessee." *Mississippi Valley Historical Review,* 1927, (Vol. XIV, p. 323).

[51] *Charter of the Bank of Tennessee, op. cit.,* p. 9, sec. 3.

[52] Trotter, *op. cit.,* pp. 112-113.

[53] Bourne, *op. cit.,* p. 112.

[54] *Tennessee House Journal Appendix,* 1847/48, pp. 106-7.

[55] Cubberley & Elliot, *op. cit.,* p. 56; Bourne, *op. cit.,* p. 114.

[56] See Table XII, p. 113.

[57] *Acts of the State of Tennessee,* 1847/48, ch. 175, p. 281.

[58] *Tennessee House Journal Appendix,* 1847/48, pp. 10-12.

However, the various fixed charges on the bank by the State continued and tended to place it in a more precarious position with each year and according to Governor Brown, would bankrupt it eventually because of the dissipation of its capital in which were the common school fund and the surplus revenue.[59] Later, its aid to the Confederacy depleted its resources rapidly.

In 1853, the common school fund constituted $2,000,000 of the capital stock of the Bank of Tennessee.[60] To aid in the financing of the Civil War, the bank had taken $8,052,081 in Confederate securities and Treasury notes which thereby consequently reduced the bank's assets by that amount.[61] In 1865, the bank was declared hopelessly insolvent,[62] and an act of February 16, 1866, directed the liquidation of the Bank of Tennessee.[63] One of its provisions directed the liquidating agent to assign to the State's Treasurer as part of the school fund all the assets of the Bank and its branches.[64] This preferred claim, however, was attacked by some of the depositors and the contention of the depositors was upheld by the State Supreme Court.[65] Hence, a large part of the school fund was lost with the wind up of the Bank of Tennessee.[66] In 1869, however, the State recognized its indebtedness to the fund to the amount of $1,315,435[67] and reiterated that indebtedness in the Constitution of 1870.[68]

---

[59] *Bankers Magazine. December,* 1849 (Vol. 4, No. 5, pp. 484-486.
[60] *Tennessee Assembly, Appendix to Senate and House Journals,* 1870/71, p. 308.
[61] *Tennessee Assembly, Senate Journal, Appendix,* 1869/70, p. 52.
[62] Bourne, *op. cit.,* p. 115.
[63] *Acts of the State of Tennessee,* 1865/66, Chap. 28, pp. 37-39.
[64] *Ibid.,* p. 38.
[65] Campbell, *op. cit.,* p. 165.
[66] Thaddeus P. Thomas. *The Public School System of Tennessee.* U. S. Bureau of Education, Circular of Information, No. 5, 1893. Washington: Government Printing Office, 1893, p 283; Fletcher Harper Swift. *A History of Public Permanent Common School Funds in the United States, 1795-1905.* New York: Henry Holt and Company, 1911, p. 144.
[67] *First Report of the Superintendent of Public Instruction of the State of Tennessee,* 1869, CIII.
[68] *Constitution of the State of Tennessee. Adopted at Nashville, February 23, A. D. 1870.* Nashville. Foster, Webb & Parkes Print, 1906. Art. XI, Sec. 12. The Constitution of 1834 had made all prior appropriations a perpetual fund. See *Report of the Superintendent of Public Instruction of the State of Tennessee,* 1890/91, p. 29.

Table XII

Tennessee

Common School Fund Receipts and Distribution.[69]

Year	Receipts	Distributed
1839	$115,551.40	$103,759.46
1840	114,590.46	70,154.29
1841	120,452.06	119,172.58
1842	109,750.00	111,858.14
1843	116,750.00	163,174.32
1844	117,523.97	47,113.97
1845	117,346.47	121,508.40
1846	117,931.77	65,083.78
1847	117,283.75	191,241.84
1848	114,227.18	134,961.59
1849	114,223.42	124,428.26
1850	114,718.50	90,350.47
1851	114,468.31	111,489.03
1852	114,837.74	137,872.96
1853	114,276.07	107,416.49
1854	118,132.33	118,390.32
1855	183,586.41	159,267.84
1856	202,726.30	178,533.80
1857	203,177.92	199,328.27
1858	224,893.25	240,586.30

[69] *Reports of the Comptroller* in *Appendix to House and Senate Journals,* especially 1859/60, p. 32. See also *American Almanac,* 1845, p. 270; Mayo, "The Organization of Development of the American Common School in the Atlantic and Central States of the South," 1830-1860. *U. S. Commissioners Report,* 1899-1900, Vol. 1, p. 556.

CHAPTER XIV

Rhode Island

The use of banks as a source of income for the promotion of public schools was tied up with the establishment of the permanent school fund in Rhode Island[1] by an act of the General Assembly in 1828.[2] Section eight of the act provided specifically for the foundation of the permanent fund for the support of schools on bank stock. The section states as follows:[3] "And be it further Enacted: That of the sum now in the treasury there be appropriated and set apart the sum of $5,000.00 for the commencement and formation of a permanent fund for the support of public schools; and for that purpose the sum of $5,000 shall be immediately, or as soon as may be, invested by the General Treasurer, with the advice of the Governor, by purchase or subscription, in the stock of some safe and responsible bank; to which such sum shall be added, and in like manner invested from year to year, all the monies that shall accrue as aforesaid from lotteries and auctions over and above said yearly sum of $10,000; and all donations that may be made to said fund for the purposes thereof, and the dividends and interest that shall from time to time accrue to said fund, shall in like manner be added thereto and invested; but whenever, in any year, the amount received as aforesaid from lotteries and auctions shall fall short of the sum of $10,000 annually to be distributed, the dividends and interest only of said fund then accrued, or so much thereof as shall be necessary, shall be added to the lastnamed sum, and paid over and distributed according to the provisions of this act."

Other pertinent sections of the act are as follows:

1. "Be It Enacted by the General Assembly and by the authority thereof it is Enacted: That from and after the passing of this act, all money that shall be paid into the general treasury by managers of lotteries or their agents, also all money that shall be paid into said treasury by auctioneers for duties accruing to the state, shall be set apart and paid over to the several towns in this state in manner hereinafter mentioned, in proportion to their respective population under the age of sixteen years, as exhibited in the census provided by law to be

---

[1] *Message of Alfred H. Littlefield, Governor of Rhode Island to the General Assembly, at its January session, 1881,* p. 11.

[2] *Public Laws of the State of Rhode Island and Providence Plantations,* 1827, pp. 663-667.

[3] *Ibid.*

taken from time to time under the authority of the United States, always adopting for said ratio the census next preceding the time of paying out each annual appropriation of said money as herein provided, to be by said towns appropriated to and for the exclusive purpose of keeping public schools and paying the expenses thereof; the sum, however, hereby appropriated, to be paid over in any one year, not to exceed $10,000."

5. "BE IT FURTHER ENACTED: That the General Treasurer shall keep an accurate account of all sums of money paid into the general treasury by lottery managers or their agents, and by auctioneers for duties accruing to the state, and shall make a report thereof to the General Assembly once a year, to wit, at the May session, particularly setting forth the sums arising from each of said sources during the preceding year."

9. "AND BE IT FURTHER ENACTED: That whenever in any year the money paid into the treasury from the sources provided by this act shall fall short of said sum of $10,000, the deficiency for said year shall be made good from any money in the treasury not otherwise appropriated."

In accordance with "the appropriation of $5,000 set apart" for the commencement and formation of a permanent fund for the support of schools" as provided in section eight of the act of 1828, on April 28 of the same year, the General Treasurer acquired 91 shares of the Mechanics Bank of Providence at a cost of $5,000 plus $53.53 for accrued interest.[4] A report to the October session of the 1830 General Assembly indicates the following investments:[5]

April 28, 1828—91 shares Mechanics Bank, Providence	$5,053.53
Aug. 27, 1829—90 shares Mechanics Bank, Providence	4,914.00
July 31, 1830—100 shares Mechanics Bank, Providence	5,400.00
	$15,367.53

Dividends received in the same period were $1,069.25.

In January, 1831, the State granted a charter to the Globe Bank in Providence of which Section 4 provided,[6] "That the State of Rhode Island and Providence Plantations shall have the right at any time, to invest any part of the School Fund of said State, as additional stock in said bank, at par, to any amount, not exceeding one hundred thousand dollars."

---

[4] *Acts and Resolves of the State of Rhode Island and Providence Plantations,* January, 1828, p. 12.

[5] *Idem,* October, 1830, p. 73.

[6] *The Charter of the Globe Bank, in Providence, Granted in January, A. D. 1831.* Providence: W. Simons, June, 1831.

From the State's investment in 1831 in one hundred shares of the original Globe Bank, the investments were subsequently increased to two thousand shares.[7]

The investments made immediately following were:

Year ending Oct. 1831	Globe Bank	$5,065.00[8]
Dec. 9, 1831	Globe Bank	5,025.00[9]
Mar. 7, 1832	Globe Bank	5,099.17[10]

It seems that the treasurer's reports of the operation of the school fund prior to April, 1832, were erroneous,[11] but the amounts were ironed out in the May, 1832 report of his successor, John Stearne.[12]

In his report for the year ending April 29, 1833, the treasurer showed an additional purchase of $10,160.38 worth of stock. The permanent school fund investments then stood at $39,100.00,[13] and consisted of

282 shares, Mechanics Bank, at par $50	$14,100.00
500 shares, Globe Bank, at par $50	25,000.00

By May, 1839, $108,241.19 had been paid to the towns, and $53,402.20 had been invested in bank stock, which consisted of 332 shares of Mechanics Bank, par value, $16,600; and 694 shares of Globe Bank, par value, $34,700; total par value, $51,300.[14]

In the same year,[15] a general school law was enacted which provided an annual appropriation of $25,000 apportionable on the basis of population under age of 15. This repealed the act of 1836 which provided $10,000, plus the income from the Surplus Revenue.

---

[7] *Message of Alfred H. Littlefield, Governor of Rhode Island to the General Assembly, at its January session, 1881,* pp. 11-14.

[8] *Acts and Resolves of the State of Rhode Island and Providence Plantations,* October, 1831, p. 75.

[9] *Idem, June,* 1832, pp. 21-22.

[10] *Ibid.*

[11] See Charles Carroll. *Public Instruction in Rhode Island.* Providence: E. L. Freeman Co., 1918, pp. 335-343.

[12] *Acts and Resolves of the State of Rhode Island and Providence Plantations,* October, 1830, p. 73.

[13] *Idem,* May, 1833, p. 23.

[14] *General Treasurer's Report, in Acts and Resolves of the State of Rhode Island and Providence Plantations,* May, 1839, pp. 11-12.

[15] *Acts and Resolves of the State of Rhode Island and Providence Plantations,* January, 1839, p. 54.

In accordance with the provisions of an act of June 23, 1836,[16] Rhode Island received $382,335.30 from the Federal Government.[17] An act of November 5, 1836, [18] provided for the income to be distributed according to a law of January, 1828, and in 1839, provision was made for the investment of the money in the capital stock of banks, or as loans to towns for educational purposes.[19]

Beginning with January 7, 1840, the State began borrowing from the Surplus Revenue until by May, 1845, $152,719.21 had been taken from the fund.[20] The fund in a report of May, 1846, showed only $229,567.84 as invested in bank and other securities.[21]

In 1852, the Surplus Revenue account stood as follows:[22]

Invested in bank stock	$117,638.67
Loaned to cities & towns	70,402.60
Used by State	194,245.88
Not funded	48.08
Total	$382,335.23

In January, 1859, the balance, not borrowed by the State and to the amount of $155,541.27, was transferred to the school fund.[23] This amount was practically all in the form of bank stock.[24] In 1860, another sum of $11,191.80 was likewise added to the fund. In the meantime, the annual distribution had been increased to $35,000 in 1851, and to $50,000 in 1854.[25]

The invested capital of the fund had steadily increased, and was practically all in the form of bank stock. Whereas in 1829 it con-

---

[16] *U. S. Statutes,* Vol. V, p. 55.

[17] E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York: E. G. Putnam's Sons, 1885, p. 103; E. P. Cubberly & E. C. Elliot. *State and County School Administration.* New York: Macmillan Co., 1922, p. 56.

[18] *The Public Laws of the State of Rhode Island and Providence Plantations,* 1835, pp. 914-916.

[19] Bourne, *op. cit.,* p. 103; Carroll, *op. cit.,* pp. 287-288.

[20] Bourne, *op. cit.,* p. 104.

[21] American Almanac, *op. cit.,* 1847, p. 228.

[22] "General Treasurer's Report", in *Acts and Resolves of the State of Rhode Island and Providence Plantations,* May, 1852, p. 107.

[23] *Public Laws of the State of Rhode Island and Providence Plantations,* Jan. 1857-Jan. 1859, p. 66, Chap. 312.

[24] See "Report of the State Auditor", in *Acts and Resolves of the State of Rhode Island and Providence Plantations,* May, 1859, p. 92.

[25] *Acts and Resolves of the State of Rhode Island and Providence Plantations,* June, 1851, p. 5; *Ibid.,* January, 1854, p. 272.

sisted of $9,967.53 bank stock, in 1860 it consisted of $240,300.12 bank stock and a $4,800 bond.[26]

Nor did the National Bank Act affect the bank stock at that time; for by 1869 the school fund held $250,376.37 in national bank stocks.[27] Finally, a resolution passed at the January session, 1876, authorized the sale of the national bank stocks and directed that the proceeds be invested in United States bonds or State bonds.[28]

---

[26] *Acts and Resolves of the General Assembly of the State of Rhode Island and Providence Plantations,* May, 1860, pp. 89-90 of the "General Treasurer's Report" in appendix.

[27] *Idem,* May, 1869, p. 17 of the "Report of the General Treasurer," in appendix.

[28] *Acts and Resolves of the State of Rhode Island and Providence Plantations,* January 1866, p. 226, No. 16.

TABLE XIII

Bank Stock in the Rhode Island School Fund.[1]

Banks	1829	1833	1850
Mechanics	$ 9,967.53	$ 14,100.00	$ 16,600.00
Globe Bank		25,000.00[2]	34,700.00
Bank of No. America			
Arcade Bank			
Bank of Commerce			
American Bank			
Exchange Nat. Bank			
Total Bank Stock	9,967.53	39,100.00	51,300.00
Bank Dividends	177.75	2,121.00	3,334.50
Permanent School Fund	9,967.53	39,100.00	51,300.00

	1855	1860	1869
Mechanics	$ 16,600.00	$ 16,600.00	$ 16,600.00
Globe Bank	34,700.00	101,008.19	101,008.19
Bank of No. America	10,086.38	59,289.57	59,289.57
Arcade Bank		1,534.25	1,534.25
Bank of Commerce		42,935.24	42,935.24
American Bank		18,932.87	28,659.12
Exchange Nat. Bank			350.00
Total Bank Stock	61,386.38	240,300.12[3]	250,376.37
Bank Dividends	4,270.00	13,053.00	22,759.50
Permanent School Fund	61,386.38	245,100.12	254,316.37

[1] Based on *Treasurer's Reports* in *Acts and Resolves.* Similar data in various *Auditor's Reports.*

[2] $5,065 was first invested in 1831.

[3] This increase was due largely to the transfer of $155,541.27, chiefly in bank stock from the Public Deposit by order of the General Assembly, January, 1859. (*Public Laws,* 1857-59, p. 66, ch. 312).

CHAPTER XV

New Hampshire

Although it was not until 1828 that New Hampshire appropriated the income from its bank tax to the cause of common education,[1] it had considered the application of those funds for educational purposes of one type or another on several earlier occasions. In 1806,

"The committee to take into consideration the propriety of taxing the several banks in this state, and such as may be incorporated in the future, and whether the sum so raised, shall in whole or in part be appropriated to the use of Dartmouth College; reported that the treasurer of this state be authorized to assess a tax annually, of one quarter of one percent on the actual deposited capital of the different bank incorporations in this State, that now are or hereafter may be granted, and that upon receipt of said tax into the treasury he may pay to the trustees of the Dartmouth College the sum of nine hundred dollars annually, for the use of said college; to be at all times subject to the control of the legislature, and that an act pass to carry the foregoing into effect. After some debate, the report was divided, and the question taken on that part which respects assessing a tax annually of one quarter of one percent on the actual deposited capital of the different bank incorporations, etc. which part was accepted. The remainder respecting the treasurer paying over to the trustees of Dartmouth College, nine hundred dollars annually for the use of said college, to be at all times subject to the control of the legislature, was then taken under consideration and motion was made to accept the same . . . "[2]

In 1821 it placed a one-half percent tax on all bank capital in the State.[3] Although not originally designated for common schools, it was appropriated to that cause later. The act entitled "An act to establish a literary fund to be collected from the several banking corporations within this state" was approved June 29, 1821.[4] It offered banks the alternative of either paying $50 on every $1,000

---

[1] *Laws of the State of New Hampshire,* Nov. Session, 1828, p. 341.

[2] *Journal of the Proceedings of the House of Representatives of the State of New Hampshire,* June 1806, p. 56.

[3] Rev. A. D. Mayo. "Original Establishment of the State School Funds." *Report of the Commissioner of Education,* 1894/95, Washington: Government Printing Office, 1896, p. 1508; Richard G. Boone. *Education in the United States.* New York & London: D. Appleton & Co., 1909, p. 86. Henry C. Fellow. *A Study in School Supervision and Maintenance.* Topeka: Crane & Co., 1896, p. 143.

[4] *Annual Report of the Superintendent of Public Instruction of New Hampshire,* June, 1876, p. 299; George Gary Bush. *History of Education in New Hampshire.* U. S. Bureau of Education. Circular of Information, No. 3, 1898. Washington: Government Printing Office, 1898, pp. 15-16; Maurice H. Robinson. *A History of Taxation in New Hampshire.* Publications of the American Economic Association, Third Series, August, 1903, (Vol. 3, p. 207.)

of stamped bills or notes or to pay one-half of one percent on the actual capital of the bank.[5] Its provisions state as follows:

Section 1. BE IT ENACTED by the senate and house of representatives in general court convened, That his excellency the governor, the secretary and treasurer of this state for the time being, be, and they hereby are appointed commissioners to manage and superintend a fund to be formed and constituted in the manner hereinafter prescribed, to be denominated the Literary Fund, which said fund shall be for the sole use and purpose of endowing or supporting a college for instruction in the higher branches of science and literature, and to be appropriated to this purpose in the manner the legislature of this state shall hereafter order and appoint: Provided said fund shall never be applied to the benefit of any institution which is not under the direction and control of the state.

Sect. 2. BE IT FURTHER ENACTED: That the commissioners aforesaid be, and they hereby are authorized, empowered and directed to vest the several sums hereafter from time to time to be received by the treasurer by virtue of this act, and the interest which may hereafter accrue and be received on the same in productive public stocks or other securities in the name of this state in the manner they shall deem most conducive to the interest of the same, and shall prepare and lay a statement of the amount, condition and circumstances, of said fund before the legislature of this state on the second Wednesday of June annually.

Sec. 3. BE IT FURTHER ENACTED, That from and after the first day of July, anno domini 1822, no banking corporation established or to be established under the authority of this state, shall issue or put in circulation in any manner whatever, any bills, notes or obligations, made by said corporation unless the same be stamped by the treasurer of this state with some suitable and appropriate stamp, to be approved by his excellency the governor, which said stamp shall designate the year in which the same is used and applied. And it shall be the duty of the treasurer any time in the month of June in each year to stamp all bills, notes or obligations presented to him for that purpose, by any banking corporation established or to be established under the authority of this state; and said corporations shall pay to the treasurer at or after the rate of fifty dollars for every thousand dollars in bills, notes or obligations, so stamped as aforesaid on the delivery of the same: Provided nevertheless; that the several and respective banking corporations aforesaid may be relieved and discharged from all the provisions of this act by paying on the second Wednesday of June, annually, to the treasurer of this state one-half of one percent on the amount which shall at the time constitute the actual capital stock of said bank; and in case any dispute shall arise respecting the amount of said capital stock, the same, for the purposes of this act, shall be determined by the commissioners aforesaid.

Sec. 4. BE IT FURTHER ENACTED, That it shall be lawful for any banking corporation to issue and circulate their bills, notes and obligations so stamped as so stamped, and no longer, unless the same shall be again stamped agreeably to aforesaid for any year from the first day of July next after the same shall be the provisions of this act. And no banking corporation aforesaid shall issue or

[5] *Laws of the State of New Hampshire, June Session,* 1821, p. 393.

put in circulation in any manner whatever within this state, any bills, notes or obligations of any other banking corporation not stamped as aforesaid.

Sec. 5. BE IT FURTHER ENACTED, That any president director or other officer of any banking corporation, established or to be established as aforesaid, who shall knowingly issue, or put in circulation, in any manner whatever, any bills, notes or obligations of any banking corporations as aforesaid, contrary to the provisions of this act, he shall forfeit and pay a sum not exceeding five hundred dollars, nor less than one hundred dollars, to be recovered by suit or information in the name of the state, and to be applied to increase the fund aforesaid.

Sec. 6. BE IT FURTHER ENACTED, That the Treasurer of this State, shall account to the commissioners aforesaid, for all sums which he may receive by virtue of this act.

Sec. 7. BE IT FURTHER ENACTED, That the said fund is, and shall continue to be pledged and appropriated to the endowment or support of a college for instruction in the higher branches of science and literature in this state, to be applied in such way and manner as the legislature shall hereafter direct, and shall not be disposed of or applied to any other use or purpose whatever. And that the said commissioners may accept, receive and hold donations, bequests and devised of real and personal estate, made by individuals, for the increase of said fund, which shall be deemed and taken to constitute a part thereof.

Sec. 8. BE IT FURTHER ENACTED, That so much of the act entitled an act to establish the rates at which polls and rateable estate shall be valued in making and assessing direct taxes, as relates to the valuation and taxation of bank shares, be, and the same is hereby repealed, so far as relates to the future taxation of the shares of the owners of bank stock in any banking corporation, established or to be established under the authority of this state."

In 1823, a committee in presenting its report stated that "the number of academies in the State; endowed by wealthy individuals, and favored by the government; are circumstances auspicious of great improvement, and must be of most signal benefit to society. That the Literary Fund might be diverted from its original destination, and be usefully applied to institutions of this character, or to others that might be named, no one will doubt, but the policy of such a measure is much doubted. . . . As we have but one institution of the grade of a college within our limits, it may be asked why we do not appropriate these funds to the use of that? The answer is—she has refused our protection. She has denied our power or control. Hence, she cannot expect from us parental favors. Your committee, from a careful examination of the whole ground, are decidedly of the opinion that the good of the State requires that the fund should be suffered to accumulate for years to come, agreeably to the provision of the law creating it."[6]

[6] *Journal of the Senate of the State of New Hampshire*, 1823, pp. 141-143.

In his message to the Legislature in 1827, the Governor reminded them that the Literary Fund then amounted to between forty and fifty thousand dollars, and that probably the time had arrived when it could be appropriated for the purpose for which it was designed.[7]

The idea of the college was dropped,[8] and in accordance with the recommendations of Governor Bell,[9] the following act entitled "An Act appropriating the literary fund" was approved December 31, 1828.[10]

Sec. 1. BE IT ENACTED by the Senate and House of Representatives in general court convened, That the treasurer of the state be and is hereby authorized and required forthwith to convert into money the stocks and other securities composing the literary fund, and to distribute and pay over to the several towns in this state their equal share of or proportion of the whole of said fund, to be divided among them severally according to the apportionment of the public taxes, existing at the time of said distribution.

Sec. 2. AND BE IT FURTHER ENACTED: That the said share or proportion of said fund, so paid over, shall be applied by the respective towns to the support and maintenance of common schools, or to other purposes of education, in addition to the sums which may be required by law to be raised and expended for these purposes, in such manner and at such time as said towns may order.

Sec. 3. AND BE IT FURTHER ENACTED, That the whole amount of the sums which may hereafter be received by the Treasurer of the State, under the act of June 29, 1831, entitled "An act to establish a literary fund, to be collected from the several banking corporations within this State," shall be by him distributed among the several towns in this State annually in the month of June, according to the then existing apportionment of the public taxes, to be apportioned by said towns, in the manner herein above directed.

Sec. 4. AND BE IT FURTHER ENACTED, That if any towns in this state shall apply any sum of money so received to any purpose other than those specified in this act, the town offending shall forfeit and pay double the sum so misapplied, to be recovered in the name of the State, and for the benefit thereof, in an action of debt before any court competent to try the same.

Sec. 5. AND BE IT FURTHER ENACTED, That all the provisions of said act of June 29, 1821, inconsistent with the provisions of this act, be and the same are hereby repealed."

In 1828 the fund amounted to $64,000,[11] and was distributed to the towns according to the apportionment of public taxes, to be

---

[7] *Message from the Governor of New Hampshire to the Legislature,* June, 1827, p. 5.

[8] Bush, *op. cit.,* pp. 15-16.

[9] *Journal of the Proceedings of the House of Representatives of the State of New Hampshire,* 1828, p. 16.

[10] *Laws of the State of New Hampshire, Nov. Session,* 1828, p. 341.

[11] *Annual Report of the Superintendent of Public Instruction of New Hampshire,* 1876, p. 299; Bush, *op. cit.,* pp. 15-16.

used for the support of common schools or other educational purposes.[12] This basis was used to determine the annual distribution until 1848.[13] In that year an act of December 13 provided that the number of children, four years of age or over, attending a public school for upwards of two weeks, be used as the basis of distribution.[14] At that time the fund amounted to $10,000 annually.[15] The receipt of one town's share of the money so distributed may be noted in the 1848 report of the Selectmen of the Town of Epping,[16] wherein an entry for Feb. 26 states "Record of the State, Epping's proportion of literary money. $56.02."

The introduction of the national banking system and the consequent winding up of State banks brought about concern over the literary fund and changes were made to offset its effects.[17] In his message to the June Session of the Legislature, Governor Frederick Smyth said, "The rapid conversion of our state banks into national banking institutions will soon withdraw from the schools the literary fund, which has heretofore contributed so largely to their support. I trust that this deficiency will not be allowed to diminish the usefulness of that system so justly the pride of our people. However desirable it may be to bring our expenditures within the limits of a wise economy, we cannot afford to retrench here. The fulness of time can only measure what we owe to our liberal system of education. The free school is the only safe basis for a free, enlightened and prosperous state. I doubt not this subject will receive due attention at your hands, and if any legislation shall be deemed necessary, to maintain or increase the excellence of the common schools, the cordial cooperation of the executive will not be found wanting."[18]

In accordance with the Governor's recommendations, the money received from the tax on deposits of non-residents in savings banks was added to the Literary Fund by an act approved June 29, 1866,

---

[12] *Laws of the State of New Hampshire,* 1828, pp. 341-42; Robinson, *op. cit.,* p. 207.

[13] Bush, *op. cit.,* pp. 15-16.

[14] *Laws of the State of New Hampshire,* 1848, p. 706.

[15] *Annual Report of the Superintendent of Public Instruction of New Hampshire,* 1876, p. 299.

[16] *Report, Receipts and Expenditures by the Selectmen of the Town of Epping, for the year ending March 2, 1848,* pp. 2 and 13.

[17] *Report of the State Treasurer of New Hampshire for the Fiscal Year Ending June 1, 1867,* p. 9.

[18] *Message of His Excellency Frederick Smyth, Governor of the State of New Hampshire to the Two Branches of the Legislature,* June Session, 1865, p. 19.

entitled "An act to increase the Literary Fund."[19] After 1866 this tax contributed the most of the revenue of the Literary Fund.[20] Whereas the National Banking system practically abolished the State Banks[21] the next year, the Legislature repealed the act taxing State banks one-half of one percent on their capital stock,[22] and the Treasurer remitted the taxes to such banks as had paid the tax for 1866 and 1867, amounting to $2,427.00 and charged to extraordinary Expenses.[23] Further assistance to the Literary Fund was given by a joint resolution of June 28, 1867,[24] whereby the governor with advice of the Council was authorized to sell public lands, the proceeds to go to the Literary Fund.[25] The Treasurer's Report for the fiscal year ending June 1, 1868, shows $12,019.24 received from non-resident savings bank taxes, $25,000 from the sale of public lands; and a distribution of $11,871.00 to the towns.[26] The bank tax on non-residents was one of two bank taxes for school purposes in effect in 1922.[27]

---

[19] *Laws of the State of New Hampshire, June Session,* 1866, p. 3284.
[20] Robinson, *op. cit.,* p. 208.
[21] *Laws of the State of New Hampshire,* 1867, pp. 19-20 Preamble; See also the *Annual Report of the Bank Commissioners of New Hampshire,* 1866, pp. 68-69.
[22] *Laws of the State of New Hampshire,* 1867, p. 19.
[23] *Report of the State Treasurer of New Hampshire,* 1868, p. 11.
[24] *Laws of the State of New Hampshire,* 1867, p. 28.
[25] Robinson, *op. cit.,* p. 207
[26] *Report of the State Treasurer of New Hampshire,* 1868, p. 11.
[27] T. H. Swift. *State Policies in Public School Finance.* Bureau of Education Bulletin, 1922, No. 6. Washington: Government Printing Office, 1922, p. 39.

Table XIV

Bank Tax Paid to the New Hampshire Literary Fund.[28]

Year	Bank Tax
1822	$ 4,770.37
1823	4,762.20
1827	9,073.93
1828	9,058.00
1834	12,271.54
1835	12,800.54
1836	13,316.54
1837	14,129.38
1838	14,571.04
1839	14,112.88
1841	12,840.96
1842	10,340.96
1843	9,308.50
1844	8,541.49
1845	6,843.66
1847	9,450.00
1848	10,440.00
1850	10,957.72
1851	13,005.00
1853	15,630.00
1854	16,830.00
1855	19,827.95
1856	24,155.00
1857	25,205.00
1858	24,830.00
1859	24,705.00
1860	24,705.00
1861	24,988.66[29]
1862	23,693.50
1863	23,118.50
1864	22,977.50
1866[30]	
1867[30]	
	Non Resident Savings Bank Tax
1867	9,833.31
1868	12,019.24

[28] Data from *Reports of the Commissioners of the Literary Fund,* 1822-1864, and *Treasurer's Reports,* 1867 & 1868. *Commissioners Reports* for 1829-33, 1840, 1846, 1849, & 1852 are not available.

[29] Does not include $156.34 refund for the year 1860.

[30] $2,427.00 of 1866 and 1867 bank taxes were refunded to banks and charged to extraordinary expenses. See Annual Report of the Treasurer, June 1868, p. 11.

CHAPTER XVI

Alabama

Even as a Territory, Alabama showed much interest in reserving stock for itself in various banks it chartered. On December 11. 1816,[1] it chartered the Planter's and Mechanic's Bank at Huntsville, later known as the Planter's and Merchant's Bank.[2] On February 13, 1818, it chartered the Tombeckbie Bank, St. Stephens, with two-thirds of the $500,000 capital reserved for ten years to be subscribed for by the Territory or State within that time.[3] On November 20, 1818, it chartered the Bank of Mobile with a capital of $500,000, of which one-fifth was reserved for the Territory or State.[4] However, the Territory apparently did not take advantage of any of its reservations; but when it became a State, banking became a public question.[5]

In the State Constitution adopted in 1819, it was provided that "one State bank may be established, with such number of branches as the General Assembly may, from time to time, deem expedient," and that "at least two-fifths of the capital stock shall be reserved for the State."[6]

Although a State bank was provided for by the General Assembly of 1820, no steps were taken to carry out the provision until 1823,[7]

---

[1] Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York. The Journal of Commerce and the Commercial Bulletin, 1896, p. 61.

[2] *Ibid.*

[3] *Acts passed at the First Session of the First General Assembly of the Alabama Territory,* 1818, p. 75.

[4] *Acts Passed at the Second Session of the First General Assembly of the Alabama Territory,* 1818, pp. 22 and 31.

[5] W. O. Scroggs. "Pioneer Banking in Alabama." *Facts and Factors in Economic History,* E. T. Gay, ed. Cambridge: Howard Univ. Press, 1932, p. 405; T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso., 1936, p. 15.

[6] Barnes and Burr. *The Constitution of the Several States of the Union and United States.* New York: Barnes and Burr, 1860, p. 323; C. C. Clay. *Digest of the Laws of the State of Alabama.* Tuskaloosa: M. J. Slade, 1843, p. 77, article 6.

[7] Thomas McAdory Owen. *History of Alabama and Dictionary of Alabama Biography.* Vol. 2, pp. 1268-1269.

when by an act of December 20, 1823, provisions for the incorporation of the Bank of the State of Alabama were made.[8]

By its provisions, the fortunes of the school fund and other public funds were bound to the fortunes of the bank. Its preamble stated its purposes as a "safe and profitable investment of such public funds as may now or hereafter be in the possession of the State, and to secure to the community the benefits, so far as may be, of an extended and undepreciating currency."[9] Hence, a State bank was the means adopted to satisfy both objectives.[10]

The capital of the bank was to be partly constituted of various public funds,[11] and section seven of the act provided for similar use of various public funds acquired in the future.[12] Among the funds to be so included were the proceeds from the sale of 16th sections of every township granted by Congress for Schools,[13] amounting to upwards of a million dollars.[14] The sale was permitted by the Federal Government by an act of March 2, 1827,[15] and carried into effect by an act of the Alabama Legislature in 1828.[16] The Bank of the State of Alabama and its branches were required to pay 6% to the school commissioner of the 16th sections on the school funds

---

[8] John C. Aiken. *Digest of the Laws of the State of Alabama.* Tuscaloosa: D. Woodruff, 1836, p. 56; C. C. Clay, *op. cit.,* pp. 77-78; *Acts of the General Assembly of Alabama,* 1823, p. 3. For a history of this bank see J. H. Fitts. "History of the Bank of Alabama." *The Bankers Law Journal,* June, 1895 (Vol. 12, p. 6).

[9] L. Carroll Root. "States as Bankers." *Sound Currency,* April 15, 1895, (Vol. 11, No. 10, p. 239); See also Sec. 7, p. 78 of Clay, *op. cit.;* and Aiken, *op. cit.,* p. 57, Sec. 7.

[10] S. B. Weeks. *History of Public Education in Alabama.* U. S Bureau of Education. Bulletin, 1915, No. 12. Washington. Government Printing Office, 1915, p. 187.

[11] John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 595; Sumner, *op. cit.,* pp. 164-165; Alexander Trotter. *Observations on the Financial Position and Credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Brown, Greene and Longmans, 1839, p. 91.

[12] Clay, *op. cit.,* p. 78; Aiken, *op. cit.,* p. 57.

[13] *U. S. Statutes,* Vol. 3, pp. 491-492; Oscar W. Hyatt. *The Development of Secondary Education in Alabama Prior to 1920.* Nashville: George Peabody College for Teachers, 1938, pp. 9-10.

[14] C. A. Conant. *History of Modern Banks of Issue.* New York: G. P. Putnam's Sons, 1927, 6th edition, pp. 380-381; L. Carroll Root. "States as Bankers," *Sound Currency,* April 15, 1895 (Vol. 11, No. 10, p. 239); Knox, *op. cit.,* p. 596.

[15] *U. S. Statutes,* Vol. 4, p. 237.

[16] *Acts of the General Assembly of Alabama,* 1827, pp. 31-35; Aiken, *op. cit.,* p. 377.

so received and to issue stock therefore. Only the proceeds were to be spent.[17] This provision was reiterated in the act of November 17, 1837.[18]

The Bank of the State of Alabama prospered so well[19] that by an act of January 9, 1836, direct State taxation was abolished and the Bank of the State of Alabama and its branches were required to defray State expenses up to $100,000.[20] And on January 31, 1839, it was also required to pay $150,000 annually "for the purpose of establishing and aiding in the establishment of schools." Township trustees could request up to $200 in addition to the amount earned by its own sixteenth section Funds for the previous year.[21]

On February 3, 1840, the annual amount the Bank of the State of Alabama and its branches were required to contribute to the schools was increased to $200,000.[22] Part of this amount was to come from the interest derived from the $669,088.95 Surplus Revenue[23] accepted by the State[24] from the Federal Government in accordance with the provisions of the distribution act of June 23, 1836,[25] and deposited, as part of the capital stock, a fifth each[26] in the parent bank at Tuscaloosa and the four branches located in Montgomery, Decatur, Mobile[27] and Huntsville.[28] The $200,000 was in excess of what a fair rate of interest would have been on both the Surplus and the sixteenth section funds,[29] and could be considered as partly a bonus required of the bank and its branches in accordance with similar practices in other States.

---

[17] *Ibid.;* Weeks, *op. cit.,* p. 27.

[18] *Acts of the General Assembly of the State of Alabama,* Nov., 1837, pp. 79-87.

[19] Emory Q. Hawk. "Taxation in Alabama." *Birmingham Southern College Bulletin,* January, 1931 (Vol. XXIV, No. 1, Supplement, p. 8).

[20] *Acts of the General Assembly of the State of Alabama,* 1835, p. 43.

[21] *Idem.,* 1838/39, p. 65.

[22] *Idem.,* 1839, p. 49.

[23] E. G. Bourne. *The History of the Surplus Revenue of* 1837, New York: E. G. Putnam's Sons, 1885, p. 44; E. P. Cubberly & E. C. Elliot, *State and County School Administration.* New York: Macmillan Co., 1922, p. 52; Hon. John Eaton. "What Has Been Done by the General Government in Aid of Education." Washington: U. S. Bureau of Education, Circular of Information, No. 2, 1879, p. 123.

[24] *Acts of the General Assembly of the State of Alabama,* 1836, p. 3.

[25] *U. S. Statutes,* Vol. 5, p. 55.

[26] Clay, *op. cit.,* p. 552.

[27] Established by 1832 Session.

[28] Established by 1835 Session.

[29] Weeks, *op. cit.,* p. 28.

On January 21, 1843, the various charges against the bank were decreasing its capital by about a half million dollars yearly,[30] and to relieve the burden in part, the act requiring the annual payment of $200,000 to the schools was repealed.[31] By February 13, the act requiring the payment of $100,000 toward the State expenses was also repealed and State taxation was resumed.[32]

Owing to the fixed charges, financial depression, and mismanagement the bank failed and with it went the various permanent funds invested in its assets.[33] The charters of the branches were repealed in 1843,[34] and provision made for liquidation of the bank by act of December 31, 1844.[35] The charter of the parent bank expired in 1845.[36] The State's capital of $14,000,000 and the $1,600,000 school funds were lost. [37] By an act of February 4, 1846,[38] the assets were placed in the hands of three commissioners and the law gave priority to the school and university claims.[39] A Senate committee report of February 1, 1848, showed that only the Huntsville branch had any sixteenth section funds intact.[40] In January, 1850, the amount due the school fund was accepted by the State as its indebtedness and placed at $995,220.97 and the interest at $59,713.26. Hence, although the proceeds were lost by the failure of the bank in 1843,[41] the State's guarantee of the certificates of indebtedness brought the fund an income.

Among the sums of money set apart and appropriated for the establishment and maintenance of a system of free public schools by an act of February 15, 1854,[42] were "the tax on one thousand dollars" capital of "every Bank and every Insurance or Exchange Company hereafter chartered in this State,"[43] the annual tax of

---

[30] Bourne, *op. cit.*, p. 44.
[31] *Acts of the General Assembly of the State of Alabama,* 1842, p. 44.
[32] *Idem,* 1843, pp. 65-68.
[33] U. S. Bureau of Education. *An Educational Study of Alabama.* Bulletin, 1919, No. 41. Washington: Government Printing Office, 1919, p. 36.
[34] Owen, *op. cit.*, pp. 1268-1269; Cramer, *op. cit.*, p. 16.
[35] *Acts of the General Assembly of the State of Alabama,* 1844, p. 27.
[36] Cramer, *op. cit.*, p. 16.
[37] *Ibid.*
[38] *Acts of the General Assembly of the State of Alabama,* 1846, pp. 5-8.
[39] Weeks, *op. cit.*, p. 29.
[40] *Ibid.*
[41] A. H. Collins. *A Quarter of a Century of Progress in Education in Alabama.* Mimeographed Bulletin, n. d. n. p., 7 pages.
[42] *Acts of the General Assembly of Alabama,* 1853, pp. 8-9.
[43] *Ibid.*, p. 9, item 6.

one hundred dollars on "every agency of any foreign Bank, Insurance or Exchange Company,"[44] and "the annual interest, at eight per cent, on that portion of the surplus revenue of the United States deposited with this State under the act of Congress of the 23rd of June, 1836."[45]

The provisions were repeated in 1856[46] and included among other items a tax of one half per cent on every hundred dollars profit made by the use of foreign bank bills used in the State by any corporation, partnership or person.[47]

By 1856, $151,318 of the total income of $267,690 was from invested funds, and in 1858 about a similar amount was received. However, in 1865 the total income declined to $112,783 due to the Civil War,[48] in which the principal of the funds was used up.[49] An act of October 10, 1868, appropriated $245,411.46 for the year, beginning October 1, 1868, to recompense the fund for the loss in interest incurred on the school fund.[50] And the Constitution of 1867 forbade the State from becoming a stockholder in any bank or to lend its credit to such a financial institution,[51] but did set aside for education one fifth of the revenue from any levy on any banking company doing business in the State.[52]

---

[44] *Ibid.*, item 8.
[45] *Ibid.*, p. 8, item 1; Eaton, *op. cit.*, p. 123.
[46] *Acts of the General Assembly of Alabama,* 1855, pp. 34-35.
[47] *Ibid.*, p. 35, item 9.
[48] Weeks, *op. cit.*, p. 199.
[49] Eaton, *op. cit.*, p. 124.
[50] *Acts of the General Assembly of Alabama,* 1868, p. 255.
[51] Root, *op. cit.*, p. 1.
[52] A. J. Walker. *The Revised Code of Alabama.* Montgomery: Reid & Screws, State Printers, 1867, p. 262, Sec. 957; *Barnard's American Journal of Education,* June 15, 1873 (Vol. 24, p. 228.)

CHAPTER XVII

Maine

Although the bank tax was appropriated for primary schools in Maine in 1833,[1] taxation of banks within Maine dated back to 1814 when it was the District of Maine.[2] It did however, in 1820, after its separation from Massachusetts and upon becoming a State, appropriate bank taxes for various educational purposes by an act approved June 28, entitled "An act to encourage literature and the useful arts and sciences."[3]

But it was not until 1821 that a step was taken by the legislature which was used later to aid public schools.[4] In that year an act of January 23, required a tax of ½ of 1 percent annually on the bank capital stock actually paid in.[5] Bank stocks were a public question before this tax was diverted to the aid of the public schools in 1833.

In 1828 an act provided funds for the benefit of primary schools to be obtained from the site of twenty townships of the public lands and by the same act, the common school fund was to receive all money in excess of the public debt when received from the Federal Government in payment of militia claims arising from the War of 1812.[6] However, in 1831 the charters of the State banks were to expire and it was felt that it would be best if the State took the excess Federal funds referred to in the act of 1828, and invested them in bank stocks, as suggested by the Governor in his message of 1831.[7] Consequently, a law was passed whereby the State reserved the right to subscribe to ten percent of the stock of any bank.[8] Unfortunately for the school fund, it was provided that the money received from the Federal Government be used for

---

[1] *Public Acts of the State of Maine from 1832 to 1839 inclusive.* Augusta: W. R. Smith & Co., 1842, p. 88.
[2] *The Public and General Laws of the Commonwealth of Massachusetts, 1807-1816.* Boston: Wells and Lilly, for the State, 1816, Vol. IV, p. 410.
[3] *Laws of the State of Maine,* 1820, pp. 45-46.
[4] *Annual Report of the Superintendent of Common Schools of the State of Maine,* 1857, p. 15.
[5] *Laws of the State of Maine,* 1821, 2 Vols. Brunswick: J. Griffin, 1821, Vol. 11, Chap. 144, pp. 623-624.
[6] *Public Acts of the State of Maine,* 1828, Chap. 403, p. 1175.
[7] *Resolves of the State of Maine,* 1831, pp. 151 and 158.
[8] *Public Acts of the State of Maine,* 1831, Chap. 519, p. 1316 ff.

bank stock or to pay the public debt. Accordingly, $29,000 worth of stock was bought in 1831 and 1832,[9] and later the proceeds were used to pay off public debts.[10]

Prior to 1833, the annual tax paid by the banks formed a large part of the State's revenue and was applied to various State expenditures.[11] And from the outset, the cost of maintenance of common schools had been entirely upon the towns.[42]

In 1833, an act of March 4, entitled "An act additional to an act to provide for the education of youth" was approved.[13] By the terms of this act, all the sums, which were thereafter "received by the State for the tax on the several banks, excepting the sum of one thousand dollars appropriated for the benefit of the Parsonsfield Seminary, shall be and the same . . ." were thereby ". . . appropriated to the support of primary schools."[14] Certified lists were to be made of the scholars from four to twenty-one,[15] which were to be the basis of the portion of the tax money to be received by each town, plantation or city.[16]

Repeatedly, efforts were made by various treasurers and governors to divert the bank tax from the school fund. In his report for the year ending Dec. 31, 1839, the Treasurer suggested that the bank tax be diverted to the general treasury for five years,[17] and two years later the Treasurer again objected to the distribution of the tax to the school districts.[18] In his message to both branches of the Legislature in January, 1842, Governor Fairfield suggested, " the expediency of repealing the law appropriating the per centum now paid on bank capital to the several towns and plantations in the State for the support of schools. It is a tax usually paid with

---

[9] As late as 1844 it held 50 shares of the Maine Bank, according to the *Report of the Treasurer of Maine on the State of the Treasury,* Dec. 31, 1844, p. 13.

[10] Fred Eugene Jewett. *A Financial History of Maine.* New York: Columbia University Press, 1937, p. 27.

[11] *Message of Governor Anderson to both Branches of the Legislature of the State of Maine, January,* 1844, p. 7.

[12] *Laws of the State of Maine,* 1821, Chap. 117.

[13] *Public Acts of the State of Maine from 1832 to 1839 inclusive,* p. 88; *Report of the State Superintendent of Public Schools of the State of Maine, June 30, 1901,* p. 51.

[14] *Public Acts of the State of Maine from 1832 to 1839 inclusive,* p. 88, Sec. 1.

[15] *Ibid.,* p. 88, Sec. 2.

[16] *Ibid.,* p. 89, Sec. 5; Also see Wm. Thomas Davis, ed. *The New England States.* Boston: D. H. Hurd & Co., 1897, Vol. 111, p. 1155.

[17] *Annual Report of the Treasurer of Maine on the Finances of the State for the Year ending Dec 31, 1839,* p. 7.

[18] *Idem,* Dec. 31, 1841, pp. 4 and 5.

promptness and can be conveniently relied on by the Treasurer . . . "[19] The Treasurer likewise followed up the objection in the same year.[20] In 1848, an effort was made to suspend the distribution for that year and to double the distribution the next year.[21] In his message to the legislature on May, 1850, Governor Hubbard suggested that the tax be repealed.[22]

In spite of all these efforts, the tax continued to be distributed for the purposes of education. As Governor Anderson said, "the Legislature manifested a reluctance to divert the fund from the laudable purpose for which it had been set apart . . . "[23]

And in 1850, an act of August 27,[24] reiterated the provision that "the tax on the several banks shall continue to be appropriated to the support of town and district schools."[25] And Section 3 provided that all money received from public land sales be set apart for a Permanent Common School Fund. By 1852, this tax amounted to about $30,000 annually, and the fund derived from land sales amounted to $104,363.[26]

In 1857, the appropriation of the bank tax for education was reaffirmed by the act of April 14, 1857.[27] In that year all the charters of the banks in Maine expired on October 1, 1857.[28] The law of April 14 rechartered the enumerated banks for a period of ten years provided all banks accepting the provisions of the act paid an annual tax of one percent on their capital stock for the support of schools.[29]

---

[19] *Message of Governor Fairfield to both Branches of the Legislature of the State of Maine, January, 1842,* p. 5.

[20] *Annual Report of the Treasurer of Maine on the Finances of the State for the Year ending December 31, 1842,* pp. 4-5.

[21] *Idem,* May 1, 1848, p. 15

[22] *Messages of Governor Hubbard to both Branches of the Legislature of the State of Maine, May, 1850,* p. 17.

[23] *Message of Governor Anderson to both Branches of the Legislature of the State of Maine, Jan. 1844,* p. 7.

[24] *An act to Provide for the Education of Youth.* Augusta: W. K. Johnson, Printer for the State, 1851, p. 52.

[25] *Ibid.,* Sec. 4. *Report of the State Superintendent of Public Schools of the State of Maine,* June 30, 1901, p. 67.

[26] *Report of the Board of Education of the State of Maine,* 1852, pp. 46-47.

[27] *Acts and Resolves of the State of Maine,* 1857, p. 20.

[28] Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 419.

[29] *Acts and Resolves of the State of Maine,* 1857, p. 20.

In 1863,[30] an act provided that there be remitted to the banks of the State as much of the tax as the banks were required to pay the United States Government on their deposits and circulation as imposed by Congress.[31] The remission of the tax caused an immediate loss to the school fund of $39,000,[32] and with the inauguration of the National Banking System, there began a rapid conversion of the State banks to National banks[33] which still further decreased the tax income. The tax income decreased from $79,830 in June, 1863,[34] to $39,385.24 in July, 1864.[35]

By an act of March 3, 1865, Congress imposed a tax of ten per-cent on the notes of any state bank paid out by any National bank, State bank or association after July 1, 1866.[36] The effect of this act was to hasten the conversion of many of the remaining State banks.[37] After 1865, only nine of the State-chartered banks remained,[38] and the tax, as distributed in 1866, had diminished to $7,-626.38,[39] and ceased by 1869.[40]

Beginning with the decrease in tax revenue in 1864, it became a serious question as to how the State could compensate the schools for the decline in revenue.[41] Various measures were resorted to. Proceeds from public lumber and timber were appropriated for educational purposes,[42] the towns had to increase their support by contributing seventy-five cents,[43] and later a savings bank tax was

---

[30] *Idem; Acts and Resolves of the State of Maine,* 1863, Chap. 293, p. 161.
[31] *U. S. Statutes,* Vol. 12, p. 470.
[32] *Report of the State Superintendent of Public Schools of the State of Maine for the School Year Ending June 30, 1901,* p. 79.
[33] W. W. Chadbourne. *A History of Banking in Maine, 1749-1930.* Orono, Maine: The University Press, 1936, p. 2.
[34] *Thirteenth Annual Report of the Superintendent of Common Schools of the State of Maine,* 1866, p. 43.
[35] *Eleventh Annual Report of the Superintendent of Common Schools of the State of Maine,* Dec., 1864, p. 56.
[36] *U. S. Statutes,* Vol. 13, p. 484.
[37] Chadbourne, *op. cit.,* p. 104.
[38] Jewett, *op. cit.,* p. 139; Chadbourne, *op. cit.,* p. 88, says 54 had changed in 1865.
[39] *Thirteenth Annual Report of the Superintendent of Common Schools of the State of Maine,* 1866, p. 43.
[40] *Sixteenth Annual Report of the Superintendent of Common Schools of the State of Maine,* 1869, p. 156.
[41] *Address of Governor Cony to the Legislature of the State of Maine, Jan. 5, 1865,* p. 7; *Eleventh Annual Report of the Superintendent of Common Schools of the State of Maine,* Dec., 1864, p. 56.
[42] *Report of the State Superintendent of Public Schools of the State of Maine,* June 30, 1901, p. 79.
[43] *Ibid.;* See also *The Financing of the Public Schools of Maine.* The Maine School Finance Commission, Nov. 1934, p. 10.

imposed. In commenting on the loss to the schools of the $80,000 formerly received yearly from the bank tax, the State Superintendent suggested that some large interest as railway passenger traffic, savings banks or insurance policies be taxed as a source of revenue to take the place of the bank tax.[44] Again the banks were selected. This time the savings bank tax was created in 1872, to succeed the bank tax.[45] It provided a tax of one-half of one percent on the amount of the deposits, exclusive of the reserve and individual profits.[46]

The imposition of the tax on the State bank notes by the Federal Government was contested in the case of *Veazie Bank v. Fenno*[47] resulting in a decision in which it was stated that, "The tax of 10 percent imposed by an Act on the circulation of State banks used for currency is not repugnant to the Constitution, either on the ground that the tax is a direct tax, which must be apportioned among the several states, or that the act impairs franchises granted by the State."

---

[44] *Sixteenth Annual Report of the Superintendent of Common Schools of the State of Maine,* 1869, p. 156; Insurance tax was also suggested in the *Eleventh Annual Report of the Superintendent of Common Schools of the State of Maine.* Dec. 1864, p. 56, as a source of revenue.

[45] *Public Laws of the State of Maine,* 1872, Chap. 74, pp. 45-46, also in *Acts and Resolves,* 1872. Fletcher Harper Swift. *A History of Public Permanent Common School Funds in the United States,* 1795-1905. New York: Henry Holt & Co., 1911, p. 288.

[46] *Public Laws of the State of Maine,* 1872, Chap. 74, also in (Acts and Resolves, 1872); *Annual Report of the Bank Examiner* 1896, p. XII; F. H. Swift. *State Policies in Public School Finance.* Bureau of Education. Bulletin, 1922, No. 6, Washington: Government Printing Office, 1922, p. 39.

[47] John W. Wallace. *Cases Argued and Adjudged in the Supreme Court of the United States, December Terms, 1868 and 1869.* Washington: W. H. and O. H. Morrison, 1870, Vol. 8, p. 533.

Table XV

Maine Bank Tax Contribution to Schools.[48]

1821	$15,000.00[49]		
1822	14,625.00	1844	26,131.88
1823	13,000.00	1845	26,090.00
1824	14,420.81	1846	26,215.00
1825	15,972.45	1847	24,850.56
1826	17,871.97	1848	25,909.02
1827	19,967.97	1849	27,230.00
1828	21,075.00	1850	33,485.60
1829	17,750.00	1851	27,446.48
1830	13,581.00	1852	32,376.69
1831	16,750.00	1853	38,011.08
1832	14,795.40[49]	1854	48,843.72
1833	18,389.31	1855	64,127.97
1834	23,609.28	1857	75,639.28
1835	26,390.49	1858	75,116.80
1836	35,830.88	1859	72,871.94
1837	49,415.26	1862	78,455.00
1838	48,146.24	1863	79,830.00
1839	44,570.22	1864	39,385.24
1840	40,965.00	1865	39,386.00
1841	33,537.06	1866	7,626.38
1842	29,590.00	1867	4,475.00
1843	27,823.56	1868	4,473.00

[48] *Reports of the Board of Education of the State of Maine* and the *Reports of the Superintendent of Common Schools,* 1847-1852, and 1854-1869, respectively.
[49] Prior to 1833 this income was used for State expenses.

CHAPTER XVIII

Pennsylvania

Although Pennsylvania was very prominent in early banking and the use of banks, in view of the general practice in other States relative to the use of banks as a means of promoting public education, it seems unusual that it was not until Jackson's refusal to recharter the Bank of the United States had compelled that institution to obtain a charter from Pennsylvania as the Bank of the United States of Pennsylvania that the occasion was used as an appreciable means to further public education. Nor was the legislature ignorant of the possibilities; for proponents and petitioners for early bank charters couched their appeals with various inducements, among them donations of annual sums for education, offered as far back as 1810.[1]

Furthermore, Pennsylvania chartered the first State bank in the United States and resorted to bank investments, bank bonuses and taxation of banks at an early date.

In 1782, it chartered the President, Directors, and Company of the Bank of North America.[2] By an act of March 13, 1793,[3] it incorporated the Bank of Pennsylvania and subscribed to one million dollars of its capital.[4] Shortly after, it received about $100,000 a year in dividends, almost enough to pay all public expenses.[5] In 1810, the State owned about $1,600,000 in bank stock, consisting of $1,000,000 in the Bank of Pennsylvania, $523,000 in the Philadelphia Bank, and $75,000 in the Farmers & Mechanics Bank.[6] In

---

[1] John Thom Holdsworth. *Financing an Empire. History of Banking in Pennsylvania.* Philadelphia: The S. J. Clarke Pub. Co., 1928, Vol. 1, p. 304; Lemuel C. Simon, Cashier Emeritus. *A Century of the National Bank of the Northern Liberties of Philadelphia, Pennsylvania.* Phila., n. p., p. 53.

[2] Holdsworth, *op. cit.*, p. 53.

[3] Alex. J. Dallas. *Laws of the Commonwealth of Pennsylvania,* 1790-1795. Philadelphia: Hall & Seiler, 1795, Vol. 111, pp. 323-335; *Charter and Laws of the Bank of Pennsylvania.* Phila., 1830.

[4] *Charter and Laws of the Bank of Pennsylvania,* Sec. XI; Lawrence Lewis, Jr. *A History of the Bank of North America, the First Bank Chartered in the United States.* Philadelphia: J. P. Lippincott & Co., 1882, p. 81.

[5] Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 44. Holdsworth, *op. cit.*, p. 143.

[6] *Ibid.*

1813, it received $200,000 in dividends.[7] In 1821, the State owned $1,500,000 in the Bank of Pennsylvania, $523,000 in the Philadelphia Bank, and $85,400 in the Farmers & Mechanics Bank.[8]

Besides imposing other conditions upon the grant of a bank charter, it often required the payment of large sums of money into the State Treasury as a bonus.[9] In 1804, the Philadelphia Bank gave the State $135,000 credit to be drawn out as the State may require.[10] In 1809, the Farmers & Mechanics Bank of Philadelphia gave the State $75,000 in stock.[11] In 1814, the Bank of North America gave it $120,000 as a consideration for its franchise.[12] In 1832, the Girard Bank was required to pay the State a bonus of $25,000 within one year and another $25,000 within three more years.[13] In 1836, the Honesdale Bank was required to pay a bonus of $5,000 and, at least, eight percent on all dividends declared.[14]

Taxes on dividends were also enacted. Pennsylvania imposed its first tax on banks by an act of March 21, 1814.[15] This so-called Omnibus Bank Law required payment of six percent of the whole amount of the dividends.[16] It was a large source of revenue;[17] and between 1814 and 1822, it totalled $235,163.[18] In 1824, an act of March 25th rechartered certain banks and imposed a tax of eight

---

[7] Holdsworth, *op. cit.*, p. 143; T. J. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso., 1936, p. 46.

[8] J. K. Worthington. "Historical Sketch of the Finances of Pennsylvania." *Publications of the American Economic Association,* May, 1887, (Vol. 11, No. 2, pp. 33-34).

[9] Paul G. Tomlinson. *A History of the Trenton Banking Company, 1804-1839.* Trenton: n. p., 1929, p. 32; Chas. E. Scott, Cashier, *Farmers National Bank of Bucks County, Bristol, Pennsylvania. A Century's Record, 1814-1914.* Bristol: n. p. n. d., p. 27.

[10] Joel Cook. *The Philadelphia National Bank.* Phila.: The Philadelphia National Bank, 1903, p. 34; Frank Ried Diffenderffer. *A History of the Farmers Bank of Lancaster, the Farmers National Bank and the Farmers Trust Co., of Lancaster.* Lancaster: The Farmers Trust Co., 1910, pp. 45-46.

[11] Cook, *op. cit.*, p. 35; Tomlinson, *op. cit.*, p. 32.

[12] Lewis, Jr., *op. cit.*, p. 89; Cramer, *op. cit.*, p. 46.

[13] Holdsworth, *op. cit.*, pp. 550-551. Tomlinson, *op. cit.*, p. 46.

[14] Marie R. Freud. *One Hundred Years of Banking.* Scranton, Pa.: International Textbook Press, 1936, p. 33.

[15] W. P. Snyder, Auditor General. *Compendium and Brief History of Taxation in Pennsylvania.* Harrisburg: Harrisburg Publishing Co., 1906, p. 58.

[16] Henry Graham Ashmead. *History of the Delaware County National Bank.* Chester: Chester Times Press, 1914, p. 11; Johnson, Finckel and Wister. *A Century of the National Bank of Germantown.* Phila.: n. p., 1914, p. 8. *100th Anniversary Farmers National Bank, Reading, Pa.* 1814-1914. n. p., n. d., p. 4.

[17] Snyder, *op. cit.*, p. 58.

[18] Holdsworth, *op. cit.*, pp. 321-322.

percent on the semi-annual dividends.[19] In 1850 an act of April 16 put a tax of 8% on all dividends of 6 percent.[20] In the fiscal year ending November 30, 1851, $233,783.65 was collected in taxes on bank dividends, and $8,078.00 was received as a premium on the charter of the Lancaster Bank.[21] The receipts for the fiscal year ending November 20, 1856 show $266,184.36 in bank taxes.[22] A tax on bank dividends was continued up to 1867, when the tax was shifted to the bank shares,[23] including the shares of national banks which were taxed by act of April 12, 1867.[24]

In connection with this subject of taxation, although large revenues were received by the State from this source, a very negligible effort was made to appropriate any of this revenue directly for the promotion of public schools. It was not until the second Bank of the United States sought a charter from Pennsylvania that a sizable sum of bank revenue was diverted to the aid of public education.

Prior to this time the share of bank tax appropriated for educational purposes was one-half of the surplus beyond 12 percent. In as much as 12 percent was a very high rate of dividend, the one-half of the excess beyond that was not of appreciable consequence. Furthermore, the tax for educational purposes was not applicable to all banks. The earliest charter to contain the provision seems to be that of the Merchants and Manufacturers Bank of Pittsburgh, incorporated March 29, 1833.

Instances of this tax provision may be seen in the charters or recharters granted to the Merchants & Manufacturers Bank of Pittsburgh,[25] the Bank of Pittsburgh,[26] the Kensington Bank,[27]

---

[19] Ashmead, *op. cit.*, pp. 29-30; Diffenderfer, *op. cit.*, p. 71.

[20] William McSherry. *History of the Bank of Gettysburg, 1814-1864; The Gettysburg National Bank, 1864-1914, of Gettysburg, Pa.* Gettysburg: The Gettysburg National Bank, 1914, p. 36.

[21] *Report of the Auditor General on the Finances of Pennsylvania,* 1851, pp. 8, 9, and 32.

[22] *Annual Report of the State Treasurer of Pennsylvania, on the State of the Finances,* 1856, p. 7.

[23] Snyder, *op. cit.*, p. 58.

[24] George Wharton Pepper and William Draper Lewis. *Pepper and Lewis' New Digest.* 2 Vols. Philadelphia. T. and J. W. Johnson and Co., 1896, Vol. 1, p. 96.

[25] *Laws of the General Assembly of Pennsylvania Passed at the Session* ,1832/33, p. 105.

[26] *Idem,* 1833/34, p. 10.

[27] *Ibid.*, p. 65.

Lumbermen's Bank,[28] Schuylkill Bank,[29] the York Bank,[30] the Erie Bank,[31] the Towanda Bank,[32] the Harrisburg Bank,[33] the Bank of Lewistown,[34] the Easton Bank,[35] and the Bank of Chester County[36]

An interesting example of how the bank tax was administered may be seen in the special act of April 7, 1835,[37] by virtue of which the charter of the Farmers Bank of Lancaster was extended for a period of fifteen years from the first Wednesday of May, 1837, a time two years distant. This act provided a sliding scale of taxes whereby 8 percent was to be paid on dividends not exceeding 6 percent and up to 11 percent on dividends in excess of 8 percent. Furthermore, in the event the net profits exceeded 12 percent of the capital stock, one-half of the surplus beyond 12 percent was to be paid to the State for educational purposes.[38]

After the bill for an extension of the federal charter of the second Bank of the United States was defeated, a charter was sought from the legislature of Pennsylvania to enable the institution to continue in the form of a State bank. In their efforts to accomplish their purposes, the proponents of the charter combined three projects in an obvious log rolling manner: a bank charter, public improvements, and remission of taxes.[39] Sumner states that, "Evidently all the hobbies and local schemes in the State clustered around this big carcass and fought with one another for slices of it."[40]

The charter was granted by an act of February 18, 1836,[41] and the bank became the Bank of the United States of Pennsylvania. Among the things enumerated in section 6[42] which the bank was required to do in consideration of the privileges granted by the act

---

[28] *Ibid.*, p. 99.
[29] *Ibid.*, p. 116.
[30] *Ibid.*, p. 117.
[31] *Ibid.*, pp. 389-390.
[32] *Ibid.*, p. 391.
[33] *Idem*, 1834/35, p. 216, Sec. 7.
[34] *Ibid.*, p. 258.
[35] *Ibid.*, pp. 111-112.
[36] *Ibid.*, pp. 109-111.
[37] *Idem*, 1834/35, p. 112, on.
[38] Diffenderfer, *op. cit.*, p. 76.
[39] Worthington. *op. cit.*, Vol. 11, No. 2, pp. 42-44; Sumner, *op. cit.*, p. 227.
[40] Sumner, *op. cit.*, p. 228.
[41] *Laws of the General Assembly of the Commonwealth of Pennsylvania Passed at the Session*, 1835/36, p. 36.
[42] *Ibid.*, pp. 42-43.

were the payment of $2,000,000 to the State upon thirty days notice, the payment of $500,000 to the State on June 15, 1836,[43] and "the further sums of one hundred thousand dollars, on each succeeding first Monday of June, for nineteen years thereafter," for common school purposes.[44]

Garver states that the use of the bank bonus in this manner "for the benefit of the schools was quite in harmony with the policy of other states of providing for free education out of non-tax income."[45] Although the bank closed February 4, 1841, the State obtained $3,000,000 from it in five installments.[46]

The instalments of $100,000 each for common school purposes were received by the Treasurer on June 7, 1836,[47] June 24, 1837,[48] June 11, 1838,[49] June 4, 1839,[50] and June 8, 1840.[51]

It is unfortunate that so large an annual income was destined to spread its benefits for the general good for so short a time. Yet, such was the fate of several others of its kind.

---

[43] Other detailed requirements may be seen in Worthington, *op. cit.*, pp. 42-44; Holdsworth, *op. cit.*, p. 496; the Act itself.

[44] *Laws of the General Assembly of the Commonwealth of Pennsylvania Passed at the Session,* 1835/36, pp. 42-43; Alexander Trotter. *Observations on the Financial Position and Credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Brown, Green Longmans, 1839, p. 171; *Eleventh Annual Report of the Superintendent of Common Schools of Pennsylvania,* 1844, p. 11.

[45] Frederic B. Garver. *The Subvention in the State Finances of Pennsylvania.* Menasha, Wis.: George Bauts Pub. Co., 1919, p. 63.

[46] John J. Knox *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 450.

[47] *Annual Report of the Treasurer of Pennsylvania, on the State of Finances,* 1835/36, p. 314.

[48] *Idem,* 1836/37, p. 310.

[49] *Idem,* 1837/38, p. 298.

[50] *Idem,* 1838/39, p. 352.

[51] *Idem,* 1839/40, p. 338.

CHAPTER XIX

Indiana

In 1833, the Jackson victory against the Bank of the United States resulted in the removal by the Secretary of the Treasury of the Government surplus from that institution.[1] The funds were placed in various banks throughout the country which soon became nicknamed the "pet banks."[2] The removal of the deposits and of the competition of the Bank of the United States provided opportunities and conditions satisfactory for the increases of State banks of which the State Bank of Indiana, chartered by an act of January 25, 1834, was one.[3] In fact, the State Bank of Indiana like the Bank of America[4] (successor to the first Bank of United States) and the Bank of the United States of Pennsylvania[5] in their respective States was an heir to the Indiana branch of the Bank of the United States.[6]

On January 28, 1834, the Indiana legislature passed an act entitled "An act Establishing a State Bank" of which the following are pertinent portions:

Sec. 1. ". . . there shall be, and is hereby created and established, a State Bank with ten Branches, which, or so many as shall be organized under this charter, to be known and styled the "State Bank of Indiana," and shall continue as such until the first day of January, eighteen hundred and fifty-nine."

Sec. 15. "There shall be deducted from the dividends, and retained in its bank each year the sum of twelve and a half cents on each share of stock, other than that held by the state which shall constitute part of the permanent fund to be devoted to purposes of common school education, under the direction of the General Assembly; and said tax shall be in lieu of all other taxes and assessments on the

---

[1] Richard Gause Boone. *History of Education in Indiana.* New York: D. Appleton & Co., 1892, p. 186.

[2] See John A. Muscalus. *State Owned Banks, the Pet Banks, and their Bank Notes.* Bridgeport Pa.: The Author, 1940.

[3] Wm. F. Harding. "The State Bank of Indiana" (Reprint of Journal of Political Economy, Dec. 1895). *Sound Currency,* August 15, 1898, (Vol. V, No. 16, p. 259).

[4] *A History of Fifty Feet in New York.* New York: Bank of America, 1926, p. 37.

[5] J. K. Worthington. "Historical Sketch of the Finances of Pennsylvania." Publications of the American Economic Asso., May, 1887 (Vol. 11, No. 2, pp. 42-44).

[6] Logan Esarey. *State Banking in Indiana, 1814-1873. Indiana University Studies,* No. 15. Indiana University Bulletin, April 15, 1912, (Vol. X, No. 2, p. 221).

[7] *Laws of the State of Indiana,* 1833, pp. 12-38. See also *Thirty-Fourth Report of the Superintendent of Public Instruction, of Indiana,* 1886, Part 11, p. 11;*Idem.,* 1900, p. 297.

stock in said bank. And in case of an ad valorem system of taxation being adopted during this charter, the said stock shall be subject to the same ratio of taxation as other capital not exceeding one percent including the aforesaid tax and the said tax shall only be assessed on such portion of the stock as shall have been paid, and an account of which the stockholder shall not be indebted to the state."

Sec. 113. "There shall be created a fund to be called the sinking fund . . ."

Sec. 114. "The principal and interest of said sinking fund shall be reserved and set apart for the purpose of liquidating and paying off the loan or loans and the interest therein, that shall be negotiated on the part of the state for the payment of its stock in the State Bank, and the second and third instalments on the shares of other stockholders in said bank, and shall not be expended for any other purpose until said loan or loans, and the interest thereon, and incidental expenses shall have been fully paid; and after the payment of said loan or loans, the interest and expenses, the residue of said fund shall be a permanent fund, and appropriated to the cause of common school education in such manner as the General Assembly shall hereafter direct."

The capital was to be $1,600,000, in shares of $50 each equally divided among its ten branches and one-half was to be owned by the State.[8] By an amendment of January 25, 1836, the capital was increased to $2,500,000, thereby each branch was given a capital of $250,000.[9] The charter was for a twenty-five year period and was to terminate on January 1, 1857.[10]

By the 15th and 114th sections of the act chartering the Bank of the State of Indiana, school funds of great importance were raised in two ways.[11]

First, by section 15 which provided a tax of 12½¢ on each share held by individuals. This tax was to constitute a portion of the permanent fund for common schools.[12] It yielded about $2,000 annually,[13] and distribution of it and the income from the Saline lands was provided for by an act passed in 1845.[14] Between 1845 and 1853 inclusive, the following amounts of bank tax were apportioned under the act of 1845.[15]

---

[8] James E. Hagerty. "Early Financial History of Indiana." Indiana History Bulletin, October, 1937 (Vol. 14, No. 10, pp. 288-289); *The Madison Courier,* Madison, Indiana. Feb. 7, 1934; Boone, *op. cit.,* p. 197; T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso., 1936, p. 23.

[9] Esarey, *op. cit., p.* 252-253.

[10] Boone, *op. cit.,* p. 187.

[11] *Supra.*

[12] *Laws of the State of Indiana,* 1833, pp. 15-16.

[13] Boone, *op. cit., p.* 188.

[14] *Fourteenth Report of the Superintendent of Public Instruction for the State of Indiana,* 1866, p. 69; Laws of the State of *Indiana,* 1844, pp. 60-62.

[15] *Documents of the General Assembly of Indiana,* Dec. 2, 1849, p. 49; *Ibid.,* Dec. 3, 1856, p. 133; *Report of the Superintendent of Public Instruction of the State of Indiana,* 1871/72, appendix, pp. 169-170.

1845 — $1,747.89	1850 — $2,876.06
1864 — 22,344.43	1851 — 2,251.02
1847 — 4,071.04	1852 — 4,602.63
1848 — 5,818.58	1853 — 4,174.00
1849 — 3,815.15	

In 1852,the bank tax fund became part of the common school fund.[16] By October 31, 1854, it contributed $56,197.80 to the fund,[17] and eventually contributed $80,000 to the latter.[18]

Second, by the sinking fund which was to constitute the State's profits from the bank and was created so that the State would have a means of paying off the $1,300,000[19] it borrowed to buy the stock and also to loan to others for the same purpose. All funds beyond repayment of the debt and incidental expenses related to it were constituted a permanent fund appropriatd to common schools,[20] and were added thereto in 1852.[21] In 1858 it amounted to $2,780,604.36, and the next year an act of March 1 ordered part of it to be distributed among the counties in proportion to the number of children in each county listed for the purpose of common school education.[22] In accordance therewith, $145,000 was distributed in September, 1859, and $84,574.86 in January, 1860. By an act of 1865 the Sinking Fund Commissioner's Office was ordered to be abolished and the balance of the fund was invested in State bonds upon which the State paid semi-annual interest of $117,143.49 on the sum of $3,904,-783.22.[23] The fund became entitled the "School Fund." The auditor stated that by 1870 the common schools had received about $3,500,000 from the sinking fund and still had about $1,250,000 on hand or

---

[16] *Revised Statutes of the States of Indiana,* 1852, Vol. 1 p. 439.

[17] *Annual Report of the Auditor of the State of Indiana,* 1854, p. 25

[18] *Report of the Superintendent of Public Instruction of the State of Indiana,* 1871/72, p. 15; William Earl Stoneburner. *A History of Public Finance in Indiana.* Doctor's Thesis. Bloomington. Indiana University, 1940, p. 16; Wm. A. Rawles. *Centralizing Tendencies in the Administration of Indiana.* Studies in History, Economics, and Public Law. Columbia University, (Vol. XVII, No. 1, p. 61).

[19] Esarey, *op. cit.,* pp. 252-253.

[20] *Laws of the State of Indiana,* 1833, pp. 35-36; *Twentieth Report of the Superintendent of Public Instruction of the State of Indiana,* 1899-1900, pp. 298-299.

[21] *Revised Statutes of the State of Indiana,* 1852, Vol. 1, pp. 439-440.

[22]. *Laws of the State of Indiana,* 1859, p. 186; James Albert Woodburn. *Higher Education in Indiana.* Bureau of Education. Circular of Information, No. 1, 1891. Washington: Government Printing Office, 1891, p. 60.

[23] *Laws of the State of Indiana, Called Session,* 1865, pp. 54-58. Woodburn, *op. cit.,* p. 60; Boone, *op. cit.,* p. 192.

collectible. He estimated that at the close of the sinking fund, it will have contributed about $5,000,000 to the cause of education.[24]

Under the act of Congress of June 23, 1836,[25] Indiana received $860,254.44 of the Surplus Revenue.[26] Although the interest obtained on loans by county agents on one-half of this revenue was set aside for the school commissioner by the act of February 6, 1837,[27] the loans were called in by an act of February, 1841 and the money invested in stock of the State Bank of Indiana.[28] On February 15, 1841, the investment of the College Fund, the Saline Fund and the State Bank School Fund were likewise required.[29] In 1843 that portion of the Surplus Revenue which was not invested in bank stock was designated as the Surplus Revenue Fund and was to be loaned by the counties, the interest received therefrom to be applied for the support of public schools in those counties.[30]

The Surplus Revenue became a permanent part of the school fund by the Constitution of 1851 which states that the school fund was to consist of, among other items, "the surplus revenue fund, the bank tax fund, and the fund arising from the one hundred and fourteenth section of the charter of the State Bank of Indiana."[31]

These funds were also confirmed by the School Laws of 1855[32] and 1865.[33] The latter provided "for the distribution of the interest in the School, Sinking and Trust Fund of this State, held for the support of common schools, to repeal all laws in conflict therewith, and declaring an emergency."

---

[24] "Report of the Auditor" in *Documents of the General Assembly of Indiana,* 1870, pp. 76-77.

[25] *U. S. Statutes,* Vol. V, p. 55.

[26] E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York: *E. G. Putnam's Sons,* 1885, p. 61; E. P. Cubberly and E. C. Elliot. *State and County School Administration.* New York: Macmillan Co., 1922, p. 53.

[27] *General Laws of the State of Indiana,* 1836, p. 97.

[28] *General Laws of the State of Indiana,* 1840, pp. 192-196; Bourne, *op. cit.,* p. 63; Wm. G. Sumner. *A History of Banking in the United States. (A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 405.

[29] Hagerty, *op. cit.,* p. 288; Sumner, *op. cit.,* p. 405.

[30] *Revised Statutes of the State of Indiana,* 1843, p. 251.

[31] Barnes and Burr. *The Constitutions of the Several States of the Union and the United States.* New York: A. S. Barnes and Burr, 1860, p. 418, article VIII, Sec. 1, item 2; See also Frank L. Jones, Supt. of Instruction. *The School Law of Indiana.* Indianapolis 1901, p. 51; and F. A. Cotton. *Education in Indiana.* Indianapolis: Louisiana Purchase Exposition Monograph, 1904, p. 174.

[32] *Laws of the State of Indiana,* 1855, p. 161.

[33] *Idem,* Special Session, Nov. 1865, p. 139.

The Constitution of 1851 also prohibited the State from taking ownership of bank stock again.[34] In commenting on the State Bank of Indiana, Hagerty says, "Of all the enterprises in which the State engaged during this period when state activity was prominent everywhere, none were more remunerative and beneficial in the long run than her investments in the stock of the State Bank of Indiana."[35]

Besides paying dividends averaging 12 to 14 percent annually,[36] it nearly doubled the investment at the close of affairs when its charter expired in 1854.[37] From its investment of one million dollars, Indiana received $3,500,000 in profits, alone. The latter then constituted the major part of the school fund.[38]

---

[34] *Constitution of the State of Indiana, and the Address of the Constitutional Convention.* New Albany: Kent and Norman, Printers, 1851. Article XI, Sec. 12.

[35] Hagerty, *op. cit.*, pp. 289-290; See also Cramer, *op. cit.*, p. 24.

[36] J. F. D. Lanier. *Sketch of the Life of J. F. D. Lanier.* New York; n. p., 1870, p. 14.

[37] *Ibid.*; Horace White. "National and State Banks." *Sound Currency,* May 15, 1897 (Vol. IV, No. 10, p. 4).

[38] Lanier, *op. cit.*, p. 14; See Harding, *op. cit.*, p. 270 also.

CHAPTER XX

Massachusetts

Although the suggestion that banks be used to promote public education was made to the Massachusetts legislature, as in 1836,[1] no direct use of banks was made in spite of the fact that Massachusetts did interest itself in sharing in bank profits through ownership of stock and taxation.

It retained the right to subscribe to Union Bank stock,[2] and made similar reservations in charters granted to other banks.[3] It soon held stock in the Union Bank, chartered in 1792, and in the Boston Bank, chartered in 1803.[4] Educational institutions and other organizations were also given the right to subscribe. An instance of this was the Bristol Academy's subscription to stock in the Taunton Bank.[5] By 1812, Massachusetts owned $1,000,000 in bank stock,[6] but shortly after it reduced its holdings.[7]

Massachusetts taxed bank dividends as early as 1812,[8] and received thereby a total of $12,254,988.88 between 1813 and 1857.[9]

On January 15, 1833, a committee was appointed to consider the expediency of creating a permanent common school fund based

---

[1] *An Exposition of Facts and Arguments in Support of a Memorial to the Legislature of Massachusetts, by Citizens of Boston and Vicinity, in favor of a Bank of Ten Millions.* Boston: Dutton and Wentworth, State Printers, 1836, p. 2.

[2] T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso., 1936, pp. 29-30; John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 360.

[3] L. Carroll Root. "New England Bank Currency," *Sound Currency.* June 1, 1895 (Vol. 11, No. 13, p. 3.)

[4] *Looking Backward. One Hundred and Twenty Five Years of Progress.* Taunton: Bristol County Trust Company, n. d., p. 28; Zephaniah W. Peace. *The Centenary of the Merchants National Bank.* New Bedford, n. p. 1925, p. 19.

[5] N. S. B. Gras. *The Massachusetts National Bank of Boston,* 1784-1934 Cambridge ,Mass: Harvard University Press, 1937, pp. 84-85.

[6] Cramer, *op. cit.*, pp. 29-30.

[7] *Ibid.*

[8] Dudley P. Bailey, Jr. "History of Banking in Massachusetts." *Bankers Magazine,* Sept. 1876 (Vol. 31, p. 20); Gras, op. cit., pp. 220-221; Edwin R. A. Seligman. *Essays in Taxation.* New York: Macmillan Co., 1895, pp. 142-150.

[9] *Documents of the House of the Commonwealth of Massachusetts,* 1858, No. 15; Sums for 1835 to 1838 may be seen in Alexander Trotter. *Observations on the Financial Position and Credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Brown, Green and Longmans, 1839, p. 124; and for 1825 and 1837 in *Documents Printed by Order of the Senate of the Commonwealth of Massachusetts during the Sessions of the General Court,* 1842, No. 2.

on land sales;[10] and on January 23, 1833, it submitted to the House a bill appropriating a portion of the proceeds of the public lands sales to constitute the Massachusetts School Fund.[11] The bill provided that the money so derived be invested in public stock or bank stock.[12]

A bill, creating the Massachusetts School Fund, was passed in 1834,[13] but there is no indication that bank stocks were used as means of investment.[14] Massachusetts had relinquished its bank stock holdings earlier.[15]

Nevertheless, the insistence that bank profits could be used to promote education did not let up and cropped up in what Root refers to as a wild project.[16] It was the proposal that a bank of $10,000,000 capital, half to be subscribed by the State, be incorporated in 1836.[17] Reasons given for such a bank were that it was needed to take the place of the branch of the Bank of the United States, and that it would give the State a large profit, which could be used to promote institutional improvement, defray government expenses, or "for the purposes of education."[18]

In this connection it is interesting to note that as early as 1714, in colonial Massachusets, a group proposed a Bank of Credit of Boston in New England with a capital of 300,000 pounds based on real estate and with authority to issue paper money equal to the subscription.[19]

As a means of winning public support they made the following offers:

"And for a further benefit to the Publick, when there shall be Emitted and

---

[10] *Documents of the House of the Commonwealth of Massachusetts,* 1833, No. 16, Jan. 15, 1833.

[11] *Ibid., pp.* 7 and 8.

[12] *Ibid.,* Sec. 1.

[13] *Laws of the Commonwealth of Massachusetts,* Jan. 1834, p. 241; George Henry Martin. *Evolution of the Massachusetts School System.* New York: D. Appleton, 1894, p. 154.

[14] Boutwell gives a good account of the fund in the *Annual Report of Board of Education of Massachusetts,* 1858, p. 53, especially see also Rev. A. D. Mayo. "Original Establishment of State School Funds." *Report of the Commissioner of Education, 1894-95.* Washington: Government Printing Office, 1896, p. 1508.

[15] Cramer, *op. cit.,* p. 30.

[16] Root, *op. cit.,* p. 258; (p. 6 in non-consecutively numbered issues).

[17] *Ibid.;* Dudley P. Bailey, Jr. "History of Banking in Massachusetts." *Bankers Magazine,* Sept. 1876 (Vol. 31, p. 113).

[18] *An Exposition of Facts and Arguments in Support of a Memorial to the Legislature of Massachusetts, by Citizens of Boston and Vicinity, in favor of a Bank of Ten Millions.* Second Edition. Boston: Dutton and Wentworth, State Printers, 1836.

[19] The Prince Society. *Colonial Currency Reprints.* Boston: John Wilson & Sons, 1910, Vol. 1, p. 320.

Continued at Interest One Hundred and Fifteen Thousand Pounds, We give out of the Neet Profits of this Partnership, the Sums following, Viz.

Four Hundred Pounds per Annum to the Use of an Hospital or Charity School, for the Support and Education of the poor Children in the Town of Boston, at the discretion of such Persons as shall be Chosen Overseers of such Schools and Hospitals when Erected: Provided the Inhabitants and Freeholders of the Town of Boston, do, at or before their General Meeting in March, One Thousand Seven Hundred and Fifteen, order the Treasurer to accept the said Bank Bills in payment of Town taxes and Assessments.

Two Hundred Pounds per Annum, to be paid to the Treasurer of Harvard College in Cambridge, for the Uses following, Viz.

Twenty Pounds per Annum, for a Mathematical Professor Residing there, provided he Read a Publick Lecture once a Month on the Subject.

Forty Pounds per Annum, for the Encouragement of three Graduates Residing there, until they take their Masters Degree, to be equally divided amongst them; the said Graduates to refund and pay back so far as they have Received, if they depart the Colledge before that time.

One Hundred Pounds per Annum, for the Support of six Ministers Sons, to be equally divided amongst them; and in Case there be not six Ministers Sons, then the remainder to be given to any other who may stand in most need thereof; the whole Two Hundred Pounds to be at the dispose of the Corporation.

Forty Pounds per Annum, to a Professor of Physick and Anatomy, Residing there provided he Read a Lecture once a month, on that Subject.

Twenty Pounds per Annum, towards the further support of a Publick Grammar School in each County, now in the Province of the Massachusetts-Bay in New-England, provided such a Grammar School, be Erected and Maintained by every such County, with an Addition of Forty Pounds per Annum, to every such School-Master. Provided Nevertheless, and it's to be understood, that the Neet Profits of this Bank or Partnership amount to so much as the Donations therein Express'd, and that the Donations first mentioned, be first paid, in case the Neet Profits fall short."[20]

Although nothing resulted from the proposal, glorifiers of the Massachusetts tradition may take some pride in the fact that the idea of using banking enterprises to help finance public education may have sprung from Puritan soil.

[20] *Ibid.*, pp. 329-330.

CHAPTER XXI

Missouri

In Missouri the State's use of banks to support public education was confined entirely to the Bank of the State of Missouri. Even as a Territory, Missouri had evinced an interest in reserving for itself stock in its early banks. It reserved one-tenth of the shares of the Bank of St. Louis, chartered by an act of August 21, 1813,[1] with a capital of $150,000; and also 10,000 shares ($100,000) of the Bank of Missouri, chartered by the act of January 31, 1817, with a capital of $250,000.[2]

However, it was during the long struggle over the establishment of a State bank that the public schools were brought into the situation. During the Seventh General Assembly, Governor Miller in referring to the suggestion concerning the establishment of a State bank, stated that school money consisting of $40,000 3% Fund, $63,000 Seminary and Saline Funds, and $36,000 School Funds, could be put into it as a good investment.[3] A committee that was appointed to investigate the best ways of investing the State funds was in favor of a State bank because they felt it would be profitable and provide means for using the idle funds and for offsetting the shortage in the circulating medium that would result following the death of the second Bank of the United States.

The discussions did not materialize until the meeting of the Ninth General Assembly during which the Senate passed an "Act to charter the State Bank of Missouri."[4] The House concurred and the governor signed the bill on February 2, 1837.[5]

The act provided that "There shall be established in the city of St. Louis, a banking company, to be called 'The Bank of the State of Missouri'." Its authorized capital was to be $500,000, or 50,000 shares at $100 a share. One-half of the stock was reserved for the

---

[1] *Laws of a Public and General Nature of the District of Louisiana of the Territory of Louisiana, and of the State of Missouri, up to* 1824. Jefferson City: W. J. Lusk & Son, 1842, Vol. 1, p. 278.

[2] *Ibid.*, p. 532.

[3] *Journal of the Senate of the State of Missouri,* 1832/33, p. 198.

[4] *Journal of the Senate of the State of Missouri,* 1836/37, p. 281.

[5] *Laws of the State of Missouri,* 1836, pp. 11-24; John Ray Cable. *The Bank of the State of Missouri.* New York: Columbia University, 1923, pp. 132-133.

State.[6] The Seminary, Saline and Three Percent Funds helped comprise the State's subscription.[7]

Through the Federal Distribution Act of June 23, 1836,[8] Missouri received $382,335.30;[9] and the State legislature by an act of February 6, 1837, entitled "An act to establish a permanent fund for the use and support of common schools"[10] provided among other things that the principal and interest of the Saline Funds and all interest and profits that may accrue from the investment of the Surplus Revenue Fund were to comprise the common school fund and were to "be invested in the stock of any bank which this State may incorporate."[11] The latter was the Bank of the State of Missouri. When the principal reached $500,000, then the interest and profits were to be distributed annually for the payment of teachers in common schools.[12] In 1839, the title of the fund was changed to State School Fund, and further provisions made concerning the organization, support and government of the common schools.[13]

Between October 1, 1838 and October 1, 1842, the State School Fund increased $123,010.43, almost entirely from the dividends received from the Bank of the State of Missouri,[14] in which the invested fund amounted to $575,667.96. This fund was comprised as follows:[15]

Certificate of the stock no. 1, dated July 19, 1839.....	$515,518.83
Certificate of the stock no. 2, dated Feb. 22, 1840.....	24,474.97
Certificate of the stock no. 3, dated Sept. 8, 1840.....	18,139.11
Certificate of the stock no. 4, dated Mar. 15, 1842.....	17,535.05
Total.....	$575,667.96

[6] *Laws of the State of Missouri,* 1836, p. 13, Sec. 1.

[7] Roscoe Vernon Shores. *A History of the State School Fund of Missouri.* Master's Thesis. University of Wisconsin, 1925, p. 25; Cable, op cit., p. 135.

[8] *U. S .Statutes,* Vol. V, p. 55.

[9] E. G. Bourne. *The History of the Surplus Revenue of* 1837. New York: E. G. Putnam's Sons, 1885, p. 80; E. P. Cubberly and E. C. Elliot. *State and County School Administration.* New York: Macmillan Co., 1922, p. 55; Hon. John Eaton. "What Has Been Done by the General Government in Aid of Education." Washington: U. S. Bureau of Education Circular of Information, No. 2, 1879, p. 133; See also *Fifty-Second Report of the Public Schools of the State of Missouri,* 1901, p. 33.

[10] *Laws of the State of Missouri,* 1836, p. 137.

[11] *Ibid.,* Sec. 4.

[12] *Ibid.,* Sec. 5.

[13] *Idem,* 1838, pp. 112-149.

[14] *Thirty-Fifth Report of the Public Schools of the State of Missouri,* 1884, p. 179.

[15] *Journal of the Senate of the State of Missouri,* 1846, Appendix, pp. 124-125; *Thirty-Fifth Report of the Public Schools of the State of Missouri,* 1884, pp 178-179.

However, it was not until 1842 that a distribution was made. Since in that year the State School Fund amounted to $575,667.96, the bank dividends were no longer added to the fund but were distributed among the several counties.[16] Although the total amount distributed increased from year to year with few exceptions, the rate per child varied considerably due to the increase in school population and the increase in the number of counties which accepted the system.[17]

The distribution was further complicated by the fact that the Bank of the State of Missouri skipped dividends occasionally. This led to serious protests against it as a source of investment.[18] Superintendent Martin in his report of Nov. 16, 1846, referred to the loss sustained by the investment and stated that whereas the total dividends received for the six years amounted to $110,000, on an investment of $575,000 it would have brought $300,000 if invested at 8%. Hence, he recommended that the fund be taken from the Bank of the State of Missouri and invested eleswhere.[19]

Regardless of his recommendations, no change in the nature of the investment occurred until 1857, when $17,000 was used to increase the fund by the addition of Pacific Railroad Bonds at 85 cents on the dollar, thereby increasing the Fund by $20,000.[20] In the same year, the stock held by the state school fund was consolidated into one certificate of $575,667.96, date May 25, 1857.[21] And in 1859, when the General Assembly appropriated $86,300 to the fund, it was also invested in stock of the Bank of the State of Missouri in accordance with an act of March 14, 1859[22] The fund in October, 1860, amounted to $678,967.96, invested as follows:[23]

---

[16] *Fifty-Second Report of the Public Schools of the State of Missouri,* 1901, p. 33.

[17] A. D. Mayo. "The Common Schools in the Southern States beyond the Mississippi River, from 1830 to 1860." *Report of the Commissioner of Education,* 1900-1901. Washington: Government Printing Office, 1902, pp. 377-389.

[18] *Journal of the Senate of the State of Missouri,* 1844/ 45, Appendix, pp. 86-88.

[19] *Idem,* 1846/47, Appendix, pp. 124-125; Mayo, op. cit., p. 378.

[20] *Thirty-Fifth Report of the Public Schools of the State of Missouri,* 1884, p. 189; *Fifty-Second Report of the Public Schools of the State of Missouri,* 1901, p. 33.

[21] Shores, *op. cit.,* p. 40.

[22] *Laws of the State of Missouri,* 1858, Vol. 1, p. 20.

[23] *Journal of the House of Representatives of the State of Missouri,* 1860/61, Appendix, p. 46.

Certificate of stock, no. 1 dated May 25, 1857.....	$575,667.96
Certificate of stock, no. 3 dated Jan. 7, 1860.....	$86,300.00
20 Pacific Railroad Bonds.....	$17,000.00[24]

The effects of the Civil War are reflected in the suspension of apportionments in 1861, 1862 and 1863,[25] as shown in Table XVI.

In the new State Constitution, the General Assembly was directed to enact legislation to enable the existing chartered banks to become nationalized, and stated further that "The stock of the Bank of the State of Missouri now held for school purposes, and all other stock belonging to any school or university fund, shall be sold, in such manner and at such time as the General Assembly shall prescribe; and the proceeds thereof . . . may be invested in bonds of the United States."[26]

Accordingly, a bill of March 5, 1866, was enacted which permitted the Bank of the State of Missouri to reorganize as a National bank;[27] and directed that "the said bank stock . . . owned by the State, in its own right or as trustee for the seminary and school funds, shall be sold only for money or the bonds of the State now due or hereafter to become due."[28]

In response to the State's request for bids on the bank stock, James B. Eads, head of a syndicate, offered $1,178,635.50. The contracts were signed on June 14 and 18, 1866, and payment was made in State bonds and coupons.[29] The Permanent School Fund received $718,235.25 for its $661,967.90 of stock.[30]

By an act of March 11, 1867, $1,500,000 of a sum of money received under an act of Congress was appropriated to the school fund to compensate for the appropriations suspended or withheld

---

[24] *The Fifty-Second Report of the Public Schools of the State of Missouri,* 1901, p. 33, gives the data for 1861 as $20,000 for this item rather than the purchase price.

[25] *Laws of the State of Missouri, Called Session,* 1861, p. 73; *Journal of the Senate of Missouri,* 1862/63, Appendix, p. 4, *Laws of the State of Missouri,* 1862/63, p. 40.

[26] *Constitution of Missouri,* 1865, Art VIII, Sec. 3, and Art. XIV, Sec. 6.

[27] Cable, *op. cit., pp.* 290-291; Shores, *op. cit.,* p. 44

[28] *Laws of the State of Missouri, Adjourned Session,* 1865, pp. 14-16; *Journal of the House of Representatives of the State of Missouri, Adjourned Session,* 1865, *passim.*

[29] *Journal of the House of Representatives of the State of Missouri,* 1867, p. 32.

[30] *Fifty-Second Report of the Public Schools of the State of Missouri,* 1901, p. 34; *Journal of the House of Representatives of the State of Missouri,* 1867, pp. 31-32.

from 1861 to 1867, but this was $306,467.33 short of the amount withheld. The money was invested in United States Bonds.[31]

The legality of the bank stock sale was in the courts for four years; and although the case was settled in 1870, the school fund had not received its share until 1872. In that year, when it was found that the State had nothing for the cancelled bonds, a certificate of Indebtedness for $900,000 at 6% was issued to the Board of Education.[32]

TABLE XVI

School Money Distributed between 1842-1866 in Missouri.[33]

Year	Amount
1842	$1,999.60
1843	6,043.80
1844	11,892.42
1845	16,481.70
1846	23,720.02
1847	48,579.78
1848	56,959.20
1849	59,456.01
1850	27,751.52
1851	69,895.20
1852	58,411.08
1853	65,425.83
1854	172,153.94[34]
1855	177,456.73
1856	217,674.40
1857	235,811.94
1858	238,784.70
1859	254,951.12
1860	262,234.52
1864	169,685.56
1866	42,698.81

[31] *Fifty-Second Report of the Public Schools of the State of Missouri,* 1901, p. 34.

[32] *Ibid.,* pp. 34-35

[33] See the *Fifty-Second Report of the Public Schools of the State of Missouri for the School Year Ending June* 30, 1901, p. 33.

[34] The bank dividends were supplemented by State revenue hereafter. See act of February 24, 1853, in *Laws of the State of Missouri,* 1852, pp. 147-168.

CHAPTER XXII

Ohio

In Ohio the use of banks to promote public schools was adopted in 1838. It seems that the urgings of Governor Lucas, the Educational Convention of 1836, and Samuel Lewis culminated in an enactment of March 7, 1838,[1] also known as the Lewis Act. This Act established a State Common School Fund which was to provide $200,000 annually and was to be derived from, among other things, "the revenue from Banks, Insurance and Bridge Companies."[2] In creating this State Common School Fund, not to be confused with the Common School Fund created in 1827, Ohio began the practise of appropriating State funds to public school uses.[3]

The year 1838 was not the first year in which Ohio had revenues from bank taxation. Its first law taxing banks was an act of February 8, 1815, whereby dividends were taxed 4 percent.[4] An act of March 12, 1831, proposed a tax of 5 percent on the dividends of banks, insurance, and bridge companies.[5] In 1836, the revenues from this source were about $75,000, but declined shortly after in consequence of the Panic of 1837.[6] In 1838, it was $46,581; and in 1839, it was $75,230.[7] And by 1842, the revenue from the tax on bank dividends became negligible.[8]

The use of the bank tax in the promotion of public schools in Ohio was accompanied by the assumption of banking privileges on the part of some educational and semi-educational institutions especially around 1839. The practice may have had its origins in the early

---

[1] *Acts of a General Nature of the State of Ohio,* 1837, p. 21.

[2] *Ibid.,* Sec. 3; William J. Coggeshall. "System of Common Schools in Ohio." *American Journal of Education, June* 1859 (Vol. VI, p. 545).

[3] Mary M. Hinsdale. "A Legislative History of the Public School System of the State of Ohio." *Report of the Commissioners of Education,* 1900/01. Washington: Government Printing Office, 1902, vol. 1, p. 140.

[4] *Acts of a General Nature of the State of Ohio,* 1814, pp. 152-156; Ernest Ludlow Bogart. *Financial History of Ohio. University of Illinois Studies in the Social Sciences* (Vol. 1, nos. 1 and 2, p. 280). Urbana-Champaign; The University, 1912.

[5] *Acts of a General Nature of the State of Ohio,* 1830, pp. 302-304; See also *Report of the School Revenue Commission to the Ohio State Teachers' Association,* 1907, Columbus, Ohio: Berlin Printing Co., p. 98.

[6] Bogart, *op. cit.,* p. 281.

[7] Ohio State Teachers Association. *A History of Education in the State of Ohio.* Columbus, Ohio, 1876, p. 33.

[8] Bogart, *op. cit.,* p. 281.

encouragement of schools and library companies by an act of incorporation of January 24, 1817;[9] for there seems to have been considerable educational activity at that time. Perhaps the use of the Western Reserve in Ohio as the foundation of the Connecticut School Fund and the large investments of that fund in bank stock may have had some influence. Even one of the Ohio banks was named "The Western Reserve Bank." The auditor refused to accept the bank tax from some of these institutions,[11] and the Bank Commissioners reported ten such institutions that were issuing notes.[12] Acts that incorporated secondary institutions generally prohibited banking privileges.[13] Finally, an act of January 26, 1846 prohibited all unauthorized note issues.[14]

The continued decline in tax returns on bank dividends from $57,698.01 in 1837, to $30,784.71 in 1840, and to $14,074.46 in 1842[15] made it necessary at times to transfer sums from the general revenue to make good the distribution to the several counties, whereof an example is the transfer of $23,143.60 in 1842.[16]

In 1846, various new taxes were imposed[17] including a tax of 6% on the gross profits of banks. Although section four of this act of March 2, directed that the tax imposed on banks, insurance and bridge companies be credited thereafter to the interest fund instead of the State Common School Fund,[18] the auditor looked upon the transfer in disfavor and recommended repeal of that provision,[19] and the bank tax was added to the State Common School Fund until

---

[9] *Acts of a General Nature of the State of Ohio,* 1816, pp. 107-110. Section 6 prohibited them from banking.

[10] Hinsdale, *op. cit.,* p. 132.

[11] *Ohio General Assembly Documents,* 1839, Doc. 2, "Auditor's Report," pp. 29 and 31.

[12] *Ibid.,* Doc. 22, pp. 14-15.

[13] For instances, see *Acts of a Local Nature, of Ohio,* Vols. XXXV, p. 139; XXXVI, p. 287; and XXXVII, p. 49. For perversion of some charters, see William M. Gouge. *The Journal of Banking from July 1841 to July 1842.* Philadelphia, 1842, p. 91; and Wm. G. Sumner, *A History of Banking in the United States. (A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 328.

[14] *Acts of a General Nature of the State of Ohio,* 1845, p. 13.

[15] See Table XVII, Page 159.

[16] *Ohio General Assembly Documents,* 1842, Doc. No. 3, p. 12.

[17] Bogart, *op. cit.,* p. 281.

[18] *Acts of a General Nature of the State of Ohio,* 1845, pp. 121-122.

[19] *Ohio General Assembly Documents,* 1846/47, p. 165.

[20] *Ohio Executive Documents,* 1859, Vol. 1, p. 823.

1853.[20] In 1847, there was $40,559.20 in bank tax.[21] In 1849 there was $53,862.50 out of a total of $246,053.27;[22] and in 1851 there was $59,083.61 in bank taxes out of a total of $236,659.29 in receipts.[23]

An act of March 14, 1853,[24] provided that the State Common School Fund thereafter consist of a levy of two mills on the dollar on taxable property.

Ohio had made no investments in stock of any of its banks.

---

[21] *Annual Report of the Auditor of the State of Ohio,* 1847, p. 17. Within the same document see p. 89 of "Annual Report of the Treasurer of State."

[22] *Annual Report of the Auditor of the State of Ohio,* 1849, p. 12.

[23] *Idem,* 1851, pp. 42, 86-87.

[24] *Acts of a General Nature of the State of Ohio,* 1852, p. 449.

TABLE XVII

Bank Taxes Paid in Ohio.[25]

Banks	1838	1839
Franklin Bank of Columbus	$3,626.28	$2,428.55
Urbana Banking Company	1,088.69	991.73
Dayton Bank	518.80	607.84
Commercial Bank of Cincinnati	3,600.00	4,030.66
Commercial Bank of Scioto	343.13	686.24
Bank of Chillicothe	2,000.00	2,662.52
Lancaster Ohio Bank	2,617.81	2,962.89
Belmont Bank of St. Clairsville	1,092.79	519.31
Bank of Marietta	553.41	592.90
Bank of Mount Pleasant	975.97	635.38
Farmers' and Mechanics' Bank of Steubenville	1,705.90	1,138.53
Western Reserve Bank	1,191.96	397.32
Farmers' Bank of Canton	100,00	3,313.81
Commercial Bank of Lake Erie	5,250.00	1,250.00
Bank of Geauga	680.40	826.58
Bank of Muskingum	1,237.50	1,500.00
Bank of Zanesville	936.30	940.45
Bank of Norwalk	997.48	345.07
Franklin Bank of Cincinnati	4,000.00	4,000.00
Bank of Granville Alexandrian Society	156.70	
Columbiana Bank of New Lisbon	390.00	690.00
Lafayette Bank of Cincinnati	4,000.00	6,000.00
Bank of Cleveland		5,513.48
Bank of Hamilton	600.00	500.00
Bank of Massillon	500.00	1,200.00
Clinton Bank of Columbus	1,500.00	1,500.00
Bank of Wooster		1,941.76
Bank of Circleville	1,000.00	1,000.00
Bank of Xenia	450.00	550.00
Ohio Life Insurance and Trust Company	6,500.00	9,000.00
Bank of Sandusky	275.00	375.00
Miami Exporting Company	1,776.62	593.93
Bank of West Union	280.00	308.00
Manhattan Bank	45.00	141.45
	$50,989.74	$59,143.40

Banks	1840	1841
Franklin Bank of Columbus	$1,244.78	$1,648.52
Urbana Banking Company	791.02	759.50
Dayton Bank	609.01	565.51
Commercial Bank of Cincinnati	3,888.60	1,865.60
Commercial Bank of Scioto	1,029.37	686.25
Bank of Chillicothe	1,742.50	742.50
Lancaster Ohio Bank	1,208.86	886.50
Belmont Bank of St. Clairsville	727.50	727.50
Bank of Marietta	451.84	452.00
Bank of Mount Pleasant	437.53	350.04
Farmers' and Mechanics' Bank of Steubenville	992.16	800.39
Western Reserve Bank	1,096.63	595.98
Farmers' Bank of Canton	131.25	
Commercial Bank of Lake Erie		
Bank of Geauga	426.33	232.52
Bank of Muskingum	375.00	
Bank of Zanesville	402.28	353.14
Bank of Norwalk	348.29	612.71
Franklin Bank of Cincinnati	2,000.00	4,000.00
Bank of Granville Alexandrian Society		
Columbiana Bank of New Lisbon	112.50	427.50
Lafayette Bank of Cincinnati	4,000.00	4,000.00
Bank of Cleveland		
Bank of Hamilton	350.00	500.00
Bank of Massillon	900.00	700.00
Clinton Bank of Columbus	1,500.00	1,500.00
Bank of Wooster	457.75	801.53
Bank of Circleville	975.00	475.00
Bank of Xenia	500.00	500.00
Ohio Life Insurance and Trust Company	3,500.00	7,000.00
Bank of Sandusky	350.00	150.00
Miami Exporting Company		307.60
Bank of West Union	168.00	
Manhattan Bank	68.51	
	$30,784.71	$31,640.29

Banks	1842	1843
Franklin Bank of Columbus		
Urbana Banking Company		
Dayton Bank	$413.21	$86.98
Commercial Bank of Cincinnati	934.08	1,888.60
Commercial Bank of Scioto		634.19
Bank of Chillicothe		
Lancaster Ohio Bank	483.55	919.73
Belmont Bank of St. Clairsville	242.50	
Bank of Marietta	180.86	
Bank of Mount Pleasant		
Farmers' and Mechanics' Bank of Steubenville		3,785.44
Western Reserve Bank		
Farmers' Bank of Canton		
Commercial Bank of Lake Erie		
Bank of Geauga	96.89	
Bank of Muskingum		
Bank of Zanesville		
Bank of Norwalk		175.42
Franklin Bank of Cincinnati	2,750.00	
Bank of Granville Alexandrian Society		
Columbiana Bank of New Lisbon		202.50
Lafayette Bank of Cincinnati	1,750.00	1,250.00
Bank of Cleveland		
Bank of Hamilton		
Bank of Massillon	300.00	600.00
Clinton Bank of Columbus	750.00	1,350.00
Bank of Wooster	343.99	343.99
Bank of Circleville	1,432.50	950.25
Bank of Xenia	546.88	347.23
Ohio Life Insurance and Trust Company	3,500.00	6,500.00
Bank of Sandusky	350.00	200.00
Miami Exporting Company		
Bank of West Union		
Manhattan Bank		
	$14,074.46	$19,234.33

[25] *Ohio General Assembly Documents,* 1843/44, Doc. No. 39, "A Tabular Statement."

CHAPTER XXIII

Arkansas

Among the sections of an act of Nov. 2, 1836,[1] entitled "An act to Incorporate the Bank of the State of Arkansas" are the following:

"That there shall be established an institution in this State, to be styled "THE BANK OF THE STATE OF ARKANSAS," with a capital of one million dollars, to be raised by the sale of the bonds of the State, loans, or negotiations; the proceeds of which shall constitute said capital, together with such other funds as may now or hereafter belong to, or be placed under, the control and direction of the state; that the principal bank shall be located at the city of Little Rock, and the concerns of said bank shall be conducted and controlled under the management of a president and twelve directors, to be appointed by a joint vote of the General Assmbly, a majority of the whole number in joint vote being necessary to a choice, and to exercise the duties of directors until the regular meeting of the Legislature, or until their successors are qualified to act; any seven of whom, with the president, shall constitute a board to do business.[2]

"Sec. 10. Be it further enacted, That, whenever it shall be found that either of the branches, as established by this act, does not declare a dividend of six percent. per annum, upon the vested capital, therein, the said branch shall be withdrawn, and all its effects transferred to the principal bank, as soon as the interest of the institution will admit of it.[3]

"Sec. 13. Be it further enacted, That the Funds arising from the sale of the Seminary lands, the five per centum on the sales of public lands, and the amount due and coming to the State under the act of Congress distributing the surplus revenue among the several States with all other funds in which the State is concerned, shall be deposited in the principal bank, and constitute a part of the capital thereof; and whatever dividend the said bank declares, shall be carried to the credit of the specific fund so deposited in said bank; and all the dividends on the capital stock of said bank, shall in like manner, belong to the State subject to the control and disposal of the Legislature; Provided, the trustees of the Seminary and School lands and the individuals legally qualified, may at all times, when they require, be allowed to withdraw the principals and interest thereon of the funds so deposited."[4]

---

[1] *Acts of the State of Arkansas*, 1836, pp. 17-24.
[2] *Ibid.*, p. 17, sec. 1.
[3] *Ibid.*, p. 18.
[4] *Ibid.*, p. 19.

At the opening for business on June 12, 1837, the capital of the Bond of the State of Arkansas consisted of[5]

$100,000.00	Sale of State Bonds.
286,156.49	U. S. surplus revenue.
26,725.00	Five Percent Fund.
96.30	Seminary Fund.
127.50	Saline or Salt Spring Fund.
$413,105.29	Total

Of the bank's capital of $413,105.29, the $286,156.49 was from Arkansas' $286,751.49 share of the Surplus Revenue[6] distributed in accordance with an act of Congress of June 23, 1836,[7] and placed as part of the capital of the bank in accordance with section 13 of the act of November 2, 1836.[8] This sum represented about one-half of the capital of the bank; and although on February 3, 1843, the Surplus Revenue Fund was made subject to warrants "whenever the ordinary revenue in the treasury shall not be sufficint to meet and discharge warrants drawn under appropriations made, or shall be made by law",[9] the friends of education managed to effect the passage of an act on the same day which provided for a system of common schools and set apart for that purpose all the surplus Revenue which would remain "unappropriated after the final adjournment of the present General Assembly . . ."[10]

The act proved futile in so far as its benefit toward a system of common schools; for the fund had been almost entirely expended for other purposes before the session closed,[11] and the law remained a dead letter.[12]

---

[5] Alexander Trotter. *Observations on the Financial Position and Credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Brown, Greene, and Longmans, 1839, p. 337; W. B. Worthen. *Early Banking in Arkansas.* Prepared at the Request of the Arkansas Banker's Association for its meeting in April, 1906, p. 57.

[6] E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York: E. G. Putnam's Sons, 1885, p. 47; E. P. Cubberley & E. C. Elliot. *State and County School Administration.* New York: MacMillan Co., 1922, p. 52.

[7] *U. S. Statutes,* Vol. V, p. 55.

[8] *Supra.*

[9] *Acts of the State of Arkansas,* 1842/43, p. 138.

[10] *Ibid.,* sec. 41; *American Almanac,* 1845, p. 266.

[11] *Bankers Magazine and State Financial Register,* January, 1847, (Vol. 1, No. VII, p. 429).

[12] Fletcher Harper Swift. *A History of Public Permanent Common School Funds in the United States,* 1795-1905. New York: Henry Holt & Co., 1911, pp. 217 and 74; Cubberly & Elliot, *op. cit.,* p. 52.

CHAPTER XXIV

Florida

Although Florida was not admitted into the Union until 1845, it made several attempts during its Territorial existence to utilize banks in the promotion of education.

In the incorporation of the Bank of Florida by an act of November 23, 1829,[1] the charter provided that $10,000 of the maximum capital was to be reserved for the Territory,[2] and states that[3] "one thousand shares shall be reserved until the first day of January 1840, on the original terms, then or at any time prior, to be taken by the Governor, under the direction of the Legislative Council for the use or benefit of the Seminary of learning, to be established in this Territory, to which endowment has been made by the Congress of the United States."

On February 17, 1833, an act concerning the bank contained nothing pertaining to the reserved stock or education and repealed all sections inconsistent with the new act.[4]

Another effort to utilize banks in the promotion of education had taken place in the meantime and was provided for in the incorporation of the Union Bank of Florida by an act of February 13, 1833.[5] The Union Bank of Florida, like other banks incorporated by the Territory, was also organized with the aid of State credit.[6]

---

[1] *Acts of the Legislative Council of the Territory of Florida,* 1829, pp. 59-71.

[2] Davis R. Dewey. *State Banking before the Civil War.* National Monetary Commission. Washington: Government Printing Office, 1910, p. 41.

[3] *Acts of the Legislative Council of the Territory of Florida,* 1829, p. 60, Sec. 3.

[4] *Idem. Acts of the Legislative Council of the Territory of Florida,* 1833, p. 89.

[5] Leslie A. Thompson. *A Manual or Digest of the Statute Law of the State of Florida.* Boston: Charles C. Little and James Brown, 1847, pp. 284-295; John P. Duval. *Compilation of the Public Acts of the Legislative Council of the Territory of Florida, passed prior to 1840.* Tallahassee: S. S. Sibley, 1839, pp. 442-454.

[6] Alexander Trotter. *Observations on the Financial Position and Credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Brown, Green, and Longmans, 1839, pp. 345-346; John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 587; Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 247; T. P. Cramer, Jr. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso., 1936, p. 20.

Important sections of the act related to the preceding facts are quoted herewith:

Sec. 1. A BANK shall be established in the City of Tallahassee, under the title of the "UNION BANK OF FLORIDA", with a capital of one million of dollars, and with the privilege of increasing it to three millions of dollars, which capital shall be raised by means of a loan, on the faith of the Territory, by the Directors of the Bank: Provided, that not more than one million of dollars shall be taken up and called for at the time of organizing the bank.

Sec. 23. After paying the interest upon the bonds issued by the Territory and the expense of management, the surplus profits of the said bank shall be retained and used as additional capital, until the accumulated surplus shall equal the amount of the bonds issued for procuring the capital of the bank, and when the Legislature is satisfied that the accumulated profits are of such amount, it may by resolution authorize dividends of subsequent profits. And in apportioning the dividends of such subsequent profits, one moiety thereof shall be paid to the Territory of Florida, in consideration of the aid afforded in raising the capital of the bank; and the other moiety shall be divided among the stockholders according to their respective shares. But upon the expiration of the charter, the whole capital subscribed shall be divided among the stockholders, in the same ratio.

Sec. 36. One moiety of the dividends or profits, which according to the 23d section of this act is to accrue and be paid to the Territory, shall forever be held and appropriated by this Territory as a fund, to be controlled, invested, and regulated so that the annual interest or dividends which may accrue thereon, shall be applied as the legislature may or shall, from time to time, direct, exclusively to, and for the establishment, support and use of schools, colleges and seminaries of learning in this Territory.

After Florida became a State in 1845, the electorate repudiated the debt contracted to aid the bank and the State refused to recognize its existence. In 1851 the bank was in the stage of winding up its affairs.[7]

In 1851, in an act approved on January 24, entitled, "An act to incorporate a bank in the city of Tallahassee,"[8] Florida resorted to a tax or bonus levied on the shares of the bank as an aid to public education. The sections of the act related to the bonuses are as follows:

"That by way of bonus for granting this charter, the said Bank shall pay into the treasury of the State, on or before the 20th day of July each year, and while the Bank shall continue Banking business, an amount equal to forty cents on each share of the stock of the Bank . . ."

---

[7] *Journal of the Proceedings of the Senate of the General Assembly of the State of Florida, Nov.* 1850/51, p. 37 of appendix.

[8] *Acts and Resolutions of the General Assembly of the State of Florida,* 1850/51, p. 11.

"That the money received account of the Bonus . . . shall be, and the same is hereby appropriated to the support of common schools, and shall be annually distributed among the children of the State, subject to all the rules, regulations and restrictions which are made, or may hereafter be imposed upon the distribution of interest of the Common School Fund."

Since the State Bank of Florida under this charter of January 24, 1851, was evidently never established,[9] the common school fund received no benefit from it, and nothing further seemed to come from that source as an aid to the public schools.

[9] Knox, *op. cit.*, p. 591; Cramer, *op. cit.*, p. 20.

CHAPTER XXV

The Practice During Certain Periods Or In Relation to Certain Events

The treatment of the subject thus far has been presented in the form of chapters each devoted to the use of banks in the financing of public education in a specific State.

This chapter will present a panoramic or cross section view of the practice in the United States during certain periods and in relation to certain events. In this way an integrated view can be obtained of the practice as a whole; and the general use of banks, its development, and its decline, are brought out more clearly. Likewise, the changes in school finance that accompanied or followed certain events are brought home more clearly with the repetition of almost parallel situations and changes in State after State.

The Charter Period of the First Bank of the United States. During the charter period of the first Bank of the United States, 1791-1811, the use of banks in the financing of public schools was in its very earliest stages. State reservations of stock in charters granted to banks were common and were destined later to play a part in providing financial aid to infant school funds. During this period only Delaware, Connecticut and New York made direct provision for the investment of public school funds in bank stocks. A bank tax enacted in New Jersey on November 2, 1810, was transferred to the school fund in 1828, and a bill to tax banks for public education failed to pass in Maryland in 1810.

The Period Between the First and Second Banks of the United States, 1811-1816. Upon the refusal of Congress to recharter the first bank of the United States in 1811, there was a large increase in applications for bank charters[1] and for the establishment of banks and speculation in bank stocks became a mania.[2]

The large dividends of 8%, 9%, and 10% paid by various banks[3] and the enormous bonus of $500,000 that had been offered by the

[1] John Thomas Holdsworth & Davis R. Dewey. *The First and Second Banks of the United States.* Washington: Government Printing Office, 1910 pp. 109-110; Guy S. Callender. *Selections from the Economic History of the United States,* 1765-1860. New York: Ginn & Co., 1909, p. 567

[2] Peter Nielson. *Financial History of the United States,* 1811-1816 Washington: Catholic University of America, 1926, pp. 72-73.

[3] Holdsworth & Dewey, *op. cit.,* pp. 122-123.

Bank of the United States for a State charter[4] gave people exaggerated ideas of the profits.[5]

From January 1, 1811, to January 1, 1815, the number of banks in the United States increased from 88 to 208.[6]

The possibility of large returns from bank investments seems to have influenced many who had an eye on the establishment and improvement of State school systems, for during this period a number of new States began the use of banks in the financing of their public schools. Provision for investments in bank stock was made by Virginia and Maryland. Both had just established their school funds. The Maryland school fund provided for a bank tax of which the proceeds were in turn to be invested in bank stock. Investments in bank stock made during this period by New Jersey and Georgia, were appropriated a few years later to their school funds. In North Carolina and Kentucky, appeals were being made that bank stock be used for financing public schools, and a bank tax for the same purpose was proposed in Kentucky. A very interesting use of banks during this time was the use of the bonus in New York. The Bank of America, which became the successor to the Bank of the United States in the form of a State bank, was incorporated in 1812 and was required to pay $400,000 in four equal payments for the use and encouragement of common schools in New York State. The City Bank of New York was required to pay $120,000, in six annual payments for the use and benefit of common schools.

The Period of the Second Bank of the United States to Jackson's Veto. This period covers the time from the grant of a charter to the second Bank of the United States, April 10, 1816, to Jackson's veto, on July 10, 1832, of the bill to recharter the bank. Except for the elimination of some banks that could not continue to redeem their notes upon presentation of them by the Bank of the United States,[7]

---

[4] *Ibid.*, p. 100.

[5] John Thomas Holdsworth. *Financing an Empire. History of Banking in Pennsylvania.* Philadelphia: The S. J. Clarke Pub. Co., 1928, Vol. 1, 391.

[6] Henry Adams, ed. *Gallatin's Writings.* 3 Vols. Philadelphia: J. B. Lippincott & Co., 1879, Vol. 111, p. 285.

[7] R. Hildreth. *The History of Banks.* Boston: Hilliard, Gray and Co., 1837, p. 65; Walter W. Chadbourne. *A History of Banking in Maine, 1799-1930.* Orono, Maine: The University Press, 1936, p. 21.

the number of banks increased steadily in this period of 1816 to 1832, from 246[8] to 448.[9]

It was a period of extensive internal improvements and the establishment of State school systems. The use of banks to promote public school systems was begun in New Jersey, Georgia, Mississippi Kentucky, North Carolina, Vermont, Tennessee, Rhode Island, New Hampshire, and Alabama in this period. The ways in which the practice was applied varied in the different States.

In New Jersey, an act of February 12, 1817 created a fund for the support of free schools and included, among other things, Trenton Banking Company stock and its accumulations under an act of 1816, and the dividends on the State's Cumberland Bank stock. The amount of the fund was increased between 1818 and 1829 by the addition of, among other things, $2,000 worth of Cumberland Bank stock; $36,000 of Trenton Banking Company stock; $1,000 of Sussex Bank stock received as a bonus; $4,000 from the Peoples' Bank at Paterson; a yearly bank tax from the Monmouth Bank; and in 1828 the State's bank tax was transferred to the fund. The early insolvency of the New Jersey Protection and Lombard Bank deprived the fund of $25,000 that it was to receive as a bonus from that bank.

In Georgia, a fund for the support of free schools was created in 1817 which provided for its investment in bank or other profitable stock. In 1819, $100,000 of the fund was invested in stock of the Bank of Darien which was chartered December 15, 1818. In 1821, half a million dollars in bank-stock investments made earlier in the Bank of Darien, Bank of the State of Georgia, and the Bank of Augusta were transferred to the school fund.

In Mississippi, a Literary Fund was established in 1821 of which the proceeds or the fund itself were permitted to be invested in bank stock. In 1826, an act which directed the governor to invest the fund in stock of the Bank of the State of Mississippi was the prelude of a series of investments in the stock of that institution. After the Planters Bank of the State of Mississippi was chartered in 1830, the Literary Fund constituted part of the bank's capital, and the proceeds from the shares held by the fund in the earlier institution were transferred to the Planters Bank in 1834.

---

[8] *House Executive Doc. No. 15,* 1st Session, 28th Congress.

[9] *Bankers Magazine,* Vol. 14, p. 765; Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 456.

In Kentucky, a Literary Fund was established in 1821 by way of amendment to the act of November 29, 1820, which chartered the Bank of the Commonwealth of Kentucky. The amendment set apart one-half of the profits of the bank as a Literary Fund.

In North Carolina, in 1819 and 1824, suggestions were made that bank stocks be used for the promotion of public schools. These culminated in an act of 1825, which created a fund for the establishment of common schools and appropriated to that end, among other things, the dividends from stock held by the State in the Bank of Newbern and Bank of Cape Fear not already pledged for internal improvements. Beginning with this foundation, the President and Directors of the Literary Board invested funds frequently in bank stock thereafter and later acquired other bank stock owned by the State. Bank investments and their dividends constituted almost the entire fund and its revenue in later years.

In Vermont, in 1825 the avails of the State Bank of Vermont and the 6 percent tax on bank profits were to be managed as a school fund.

In Tennessee, an act of 1827 appropriated a fund for the support of common schools which was to consist of capital of the Bank of the State of Tennessee, incorporated in 1820, and the State's stock in the first Bank of the State of Tennessee, incorporated in 1811.

In Rhode Island, an act of 1828 provided for the foundation of a permanent fund for the support of public schools by the investment of $5,000 in bank stock and further investments of proceeds of the fund in similar stock. From an initial investment of $5,053.53 in stocks of the Mechanics Bank in 1828, bank investments were made frequently thereafter and made up practically the entire school fund.

In New Hampshire, in 1828, the bank tax was appropriated for the support and maintenance of common free schools, and although efforts were made to divert it to the academies, it continued to be set aside for common schools and was distributed annually.

In Alabama, by an act of 1828, the 16th sections of the townships were directed by the State legislature to be sold and the receipts invested in stock of the Bank of the State of Alabama. Only the proceeds from the investment were to be spent by the school commissioner.

The Veto of the Recharter of the Second Bank of the United States. As in 1811, so in 1832, the decline of the Bank of the United

States anticipated great prosperity by the authorizations of new banks of issue;[10] for "it was generally conceded that the Bank of the United States, by virtue of its large capital and the amount of specie it always carried, had regulated the discounts and note issues of the state banks."[11] Furthermore, the increase of banks was encouraged by the depositing of Government funds among the State banks.[12]

The number of banks increased from 330 in 1830,[13] to 506 in 1834,[14] and to 901 by 1840.[15]

Efforts to use banks for the promotion of public education were especially noticeable in Indiana, Maine, Massachusetts, Territorial Florida, and in Pennsylvania.

In Indiana, a movement for a State bank began as soon as the fate of the second Bank of the United States was settled. In fact, the State Bank of Indiana, chartered January 25, 1834, like the Bank of the United States of Pennsylvania and the Bank of America (the state-chartered form of the first Bank of the United States) in their respective States, took the place of the Indiana branch of the Bank of the United States.

By the act chartering the Bank of the State of Indiana, provision was made for a school fund by a tax of 12½¢ on each share of stock held by individuals, and by the sinking fund.* This enterprise proved to be about the most remunerative of the investments undertaken by Indiana. From an investment of one million dollars, the State received $3,500,000 in profits.

In Maine, an act of March 4, 1833, was approved, by the terms of which all the sums, which were thereafter received by the State for the tax on the several Banks, excepting the sum of one thousand dollars appropriated for the benefit of the Parsonsfield Seminary, were appropriated to the support of primary schools.

---

[10] George William Dowrie. *The Development of Banking in Illinois,* 1817-1863. Urbana: The University of Chicago, 1913, p. 60.

[11] Holdsworth & Dewey, *op. cit.,* p. 92.

[12] James Albert Woodburn. *Higher Education in Indiana.* Bureau of Education, Circular of Information, No. 1, 1891. Washington: Government Printing Office, 1891, p. 59; E. G. Bourne. *The History of the Surplus Revenue of 1837.* New York:: E. G. Putnam's Sons, 1885, p. 14.

[13] *House Executive Doc. No. 15,* 1st Session, 28th Congress.

[14] *Report of the Comptroller of the Currency,* 1876, pp. XCIV-XCV.

[15] *Ibid.*

* See pages 144-145.

In Massachusetts, a proposal was made that a bank of $10,000,000 capital, half to be subscribed by the State, be incorporated to take the place of the branch of the Bank of the United States and that its profits be used for the purposes of education and other government expenses.

In Territorial Florida, an effort to utilize banks to promote education was made in the incorporation of the Union Bank of Florida by an act of February 14, 1833, in which it was provided that one-half of the dividends or profits be applied at the discretion of the legislature, exclusively to, and for the establishment, support and use of schools, colleges and seminaries of learning.

In Pennsylvania, a charter was obtained from the legislature to enable the Bank of the United States to continue in the form of a State bank. It was granted by an act of February 18, 1836, and provided among other things that the sum of one hundred thousand dollars be paid on each first Monday of June, for nineteen years, for common school purposes. This was quite a contrast to the negligible one-half of the excess over 12% of the profits as required in some of the charters a few years previous.

Increased use of banks and increased revenue from banks are also evident in other States during and immediately following the decline of the second Bank of the United States. In some States, Connecticut being a good example, the decline of the Bank was accompanied by investments in new banks or increased investments in old banks. In other instances, the increased number of banks contributed to the school funds through increased revenue from taxation. For example, in Maryland there was an increase of $4,878,900 in bank capital between 1829 and 1836. This was subject to a tax of 20¢ per $100. Increases are also noticeable in Vermont and New Hampshire.

The Surplus Revenue of 1837. On June 23, 1836, "An act to regulate the deposits of the public money," required that the large surplus in the treasury, after reserving five millions, and amounting to $37,468,859.97, be deposited and apportioned among the states in four instalments. Of the twenty-six States that received the Surplus, the following used at least a part of it in banking enterprises from which the proceeds were to be used for the promotion of public schools: Delaware, Georgia, North Carolina, Tennessee, Rhode Island, Alabama, Indiana, Missouri and Arkansas. Of these, in Alabama and Tennessee, the income from the investment was to help compensate

for annual sums required of the Bank of the State of Alabama and the Bank of Tennessee, respectively. In Arkansas, the effort proved futile in so far as the public schools were concerned.

The Panic of 1837. During the Panic of 1837, and the years immediately following, many of the school funds were subjected to two very noticeable losses in income from banking sources. One was through a decline in bank tax revenue and bank dividends. The other was the elimination of the fourth instalment of the distribution of the Surplus Revenue originally provided for by an act of June 23, 1836.[16]

Instances of State school funds whose bank revenue declined are Maryland, Vermont, New Hampshire, Maine and Ohio. In Maryland, there was a reduction in bank capital of $2,325,395,[17] all of which had been subject to the school tax. In Vermont, the bank tax which brought $8,644.76 in 1837, brought only $5,397.14 in 1838, and Table IX shows numerous blanks where in former years returns were all filled in.[18] In New Hampshire, the bank tax returns reached their first peak in 1838 and then declined for a number of years after. In Maine, the bank tax reached its peak in 1837 and then began to decline.[19] In Ohio, the bank tax reached its first peak in 1836.[20] It was during this period that the Bank of the United States of Pennsylvania was experiencing financial difficulties. Even eminently successful banks like the Bank of the State of Indiana were obliged to curtail dividends.[21]

Since a large number of States used all or part of the Surplus for the promotion of public schools,[22] it can safely be assumed that the omission of the instalment[23] was a very unfortunate loss to many school funds.

However, it was during the Panic of 1837 that two more states began the use of banks to promote their common school systems. Missouri invested school funds in the Bank of the State of Missouri;

---

[16] *U. S. Statutes at Large,* Vol. 5, p. 12.

[17] Alfred Cookman Bryan. *History of State Banking in Maryland.* Johns Hopkins University Studies in Historical and Political Science, Series XVII, Nos. 1, 2, 3, Baltimore, The Johns Hopkins Press, 1899, pp. 104-107.

[18] See Table IX, "Bank Taxes Paid to Vermont School Fund", p. 90.

[19] See "Maine Bank Tax Contribution to schools," Table XV.

[20] *Ohio General Assembly Documents,* 1843/44, Doc. No. 39.

[21] Logan Esarey. *State Banking in Indiana,* 1814-1873. Indiana University Studies, No. 15. Indiana University Bulletin, Vol. X, No. 2, April 15, 1912, p. 263.

[22] See Section entitled, "The Surplus Revenue of 1837," pp. 172-173.

[23] John J. Knox. *United States Notes.* New York: Charles Scribners' Sons, 1884, p. 188.

and in Ohio, an act of March 7, 1838, established a State common school fund which was to be derived from, among other things, the revenue from banks.

From the Panic of 1837 to the Outbreak of the Civil War. During the period between the Panic of 1837 and the outbreak of the Civil War, only one new State, Arkansas, undertook to use a banking enterprise to provide funds for a system of common schools. However, the law was ineffectual.

Nevertheless, there were many interesting changes in the other States in the extent of their use of banks or in revenue from banks Investments in bank stock were generally increased in those that had previous bank stock investments, by even as much as 200% to 300% in Delaware and Connecticut, respectively. Bank stock was put into the Kentucky school fund for the first time.

Bank tax returns increased generally as may be seen in Maryland, New Jersey, New Hampshire, Ohio, and Maine, and the tax was also imposed in Alabama for school purposes. Bank taxes required of certain banks and not of others, were introduced into various bank charters in Kentucky as had been done in Tennessee and Pennsylvania some years earlier.

However, several notable specific uses of banks were terminated in this period. The $100,000 bonus required to be paid annually by the Bank of the United States of Pennsylvania ceased with the failure of that institution, as did the $200,000 required annually of the Bank of the State of Alabama during the gradual collapse of the latter. Alabama did tax banks for school purposes a few years later. The use of banks for schools in Vermont in this period was also terminated by the appropriation of the fund to the payment of Vermont's debt to that fund.

The Civil War and the Southern States. The Civil War brought tragic results to the educational funds of some of the States. The effects were complicated further by the 4th Section of the 14th Amendment to the Constitution which forbade the payment by a State of any debt or obligation incurred in aiding the rebellion. Since many banks aided in the financing of the war, the securities covered by the 14th Amendment became worthless.

Bank stock investments of school funds were practically all lost in Virginia, North Carolina, Tennessee and Georgia. North Carolina and Tennessee school funds had been particularly heavily in-

vested in bank stocks. Besides the loss of their bank stock, some of the school systems had to forego distribution of dividends and revenue entirely or in part during this period.

The National Banking System and the Ten Percent Tax on Note Issues. The enactment of the National Banking Act of February 25, 1863, marks not only the beginning of a new era in the history of financial institutions in the United States, but it also marks a revolutionary change or turning point in the financing of some State school funds. However, neither the act of February 25, 1863, nor its revision of June 3, 1864, had as drastic effects on the State banks as the act of March 3, 1865.

Section six of the latter act provided, "That every national banking association, state bank, or state banking association, shall pay a tax of ten per centum on the amount of notes of any state bank or state banking association, paid out by them after the first day of July, eighteen hundred and sixty-six." This act terminated the circulation of the last of over 20,000 different bank notes that had been issued during the State banknote era.[24]

While in the few previous years State banks converted in small numbers, in 1865 they went over to the National Banking System in large numbers.[25] By the end of that year a total of 922 State banks had come under the national law, of which 731 converted in 1865 alone.[26] Since the tax had the effect of prohibiting the State banks from issuing their own paper money, they found it necessary to convert[27] or exist only as banks of deposit and discount.[28] Also, the various and diverse bank taxes imposed by the State prior to the Civil War largely disappeared after the introduction of the National Bank System,[29] and taxation of shares at a uniform rate and of real

---

[24] For list see John A. Muscalus. *State Bank Notes.* New York: Wayte Raymond, Inc., 1942.

[25] Wm. G. Sumner. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1) New York: The Journal of Commerce and the Commercial Bulletin, 1896, p. 464.

[26] John J. Knox. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900, p. 101.

[27] Leonard Bayliss Kreuger. *History of Commercial Banking in Wisconsin.* University of Wisconsin Studies in the Social Sciences and History, No. 18, Madison: University of Wisconsin, 1933, p. 100.

[28] Frank K. Houston. *Commercial Banking in New York City, 1784-1940.* New York: Reprint from American Banker, n. d., pp. 10-11.

[29]29 Ronald K. Welch. *State and Local Taxation of Banks in the United States.* Special Report of the State Tax Commission, No. 7, Albany: J. B. Lyon Co., Printers, 1934, p. 11.

property of national banks at the general property rate were permitted instead.[30]

Liquidation of bank stock owned by school funds was begun by various States. Some liquidated their entire bank stocks within a few years, but Connecticut and Delaware retained some for many years after.

Taxation of banks was repealed in Maryland, New Jersey, New Hampshire and Maine. It had been a very important source of school revenue in each of these States. Maine and New Hampshire later adopted taxes on deposits in savings banks. These two had the bank tax in effect in 1922.[31]

Protests and court cases were of no avail against the tax on note issues; and the tax was finally upheld by the United States Supreme Court.

Hence, beginning with 1867, there were but few vestigial remains of a practice that was generally found in the financing of State school systems between 1796 and 1866. The inclusion of the use of banks at the time of the creation of so many of these school funds is especially evident, and it may be said that the use of banks in the financing of public education was characteristic of the State-bank era.

---

[30] John Brooks Woosley. *State Taxation of Banks.* Chapel Hill: University of North Carolina Press, 1935, p. 91.

[31] See F. H. Swift. *State Policies in Public School Finance.* Bureau of Education. Bulletin, 1922, No. 6, Washington: Government Printing Office, 1922, p. 39.

CHAPTER XXVI

Summary of the Practices

The ways in which the various States used banks to promote their school systems can be classified as follows:

1. *Investment in bank stock.* Investment in bank stock was common and was engaged in by nearly all the States, especially during the first few decades of the last century. These investments comprised almost the entire school fund in several States, even for long periods. There seems to have been a general attempt on the part of the early States to finance education and other State expenditures by means of participation in banking enterprises, often as a means of avoiding State taxation. The investment was generally made in stock of banks operating under the State's laws, although Delaware and Virginia invested in stock of "foreign banks." In a number of instances stock was obtained prior to the creation of a school fund, but later was appropriated to the use of schools. In a few instances the dividends only or some of the dividends on the investment were appropriated to the school fund. In Vermont, the avails of a former bank were appropriated to the school fund.

Sometimes the investment was in one bank only, of which an outstanding example was the Bank of the State of Indiana which contributed several million dollars to the Indiana public schools; but generally the investment was made in a number of banks, as in Connecticut.

2. *Sale of right to reserved stock.* The sale of stock reserved for the State was not common. New York sold its right to reserved stock on condition that the Mechanics Bank pay a certain sum for the use and encouragement of common schools. In New Jersey the sale of reserved stock is supposed to have been brought about by Parker for the same reason.

3. *Taxation of banks.* The taxation of banks for school revenue was diverse. There were taxes on capital stock, on dividends or net profits, on gross profits, on surplus, and on note issues. Maryland, New Jersey, Vermont, New Hampshire, Maine, Indiana, and Ohio are instances in which capital stock or net profits were taxed. Besides the tax on capital stock, Maryland imposed a tax on the note issues

of its savings banks. The bank tax was the chief source of school revenue in Maryland; and the bank tax was an item of major importance during its levy for school purposes in Vermont, New Hampshire, Maine, and New Jersey.

4. *Bonus requirements.* The bonus requirements, sometimes classed as a tax, were generally lump sum payments required of certain banks. Special instances of the latter occurred in New York, New Jersey and Pennsylvania. Examples of the most notable are the $400,000 required to be paid by the Bank of America for the use and encouragement of common schools in New York, and the $100,000 annual payment for common school purposes required of the Bank of the United States of Pennsylvania. A bonus of a different type was imposed by Alabama on the Bank of the State of Alabama which was required to pay $200,000 annually to schools. Part of the latter was compensated for by certain State investments. In Tennessee, the Bank of Tennessee was required to pay $100,000 annually for common schools in return for certain State investments.

5. *Combinations of two or more of the preceding.* Some States, such as New Jersey, New York, and Maryland used the banks in a number of the preceding ways.

Investment Safeguards. Among the various measures taken by some of the States which served as a safeguard of the investments in bank stock, stock reservation was common. It enabled the State to note the degree of success of the enterprise before investing. If the stock was selling at a good premium and the State could obtain the reserved stock at par, an immediate profit could be realized. The requirement that subscriptions be accepted from certain specified educational or religious organizations, as in Connecticut, was a reservation of another type. The right to investigate the banks or to withdraw the investment within a specified time, as in Connecticut, were other safeguards. Appointment of bank directors by the State or of school officials to participate in bank finance was also engaged in.

Despite these safeguards, there were times when requirements of banks were unsound, when policies were adopted that were contrary to the best interests of certain school funds, or when conditions were beyond the control of men. During the Civil War, the exigencies were such that those responsible for the disposition of the funds could not do other than they did. However, the requirements imposed,

as on the Bank of the State of Alabama and the Bank of the United States of Pennsylvania, were overwhelming. The unsound loans made by the banks or the deliberate borrowing of the school funds by the State without repayment were destructive of the welfare of some school funds. Then, again, the abolition of a very profitable and successful banking enterprise, as in Indiana, seems almost incredible.

CHAPTER XXVII

Summary

1. The use of banks as a class contributed much to the financial foundation of our State school systems. In fact, they were subject to heavy impositions and occasionally bled white from subsidizing various State projects, and were then condemned for their failure.

2. The use of banking enterprises as a means of promoting public school systems was very common between 1796 and 1866.

3. This use consisted of investment in bank stock, taxation, sale of reserved stock, bonus requirements, or combinations of these.

4. Investments in bank stock and taxation of banks was frequently resorted to as a means of avoiding or postponing direct taxation as well as a means of sharing in anticipated profits.

5. Bank investments and bonus requirements were more common and more widespread in the early period; taxation, in the later period.

6. Proposals that banking enterprises be used to promote education were brought forward with the earliest of such projects and were often made by the incorporators or would-be incorporators themselves.

7. The growth and welfare of State school funds, State banking and internal improvements were generally interdependnt.

8. The introduction of the National Bank System and particularly the imposition of the 10% tax on note issues of non-federal banks mark a turning point in the composition and revenue of many State school funds of the period studied.

It is interesting to note that some remnants of this practice, so general prior to 1866, lingered on and were retained for many years longer by a few States. These States probably found it advantagous to retain bank stock long after the practice became generally obsolete. In 1870 Connecticut had about $209,000 in such investments and even in 1935, $97,926.61 were invested in six banks. In Delaware, $316,000 were invested in banks in 1860, and in 1934, over $1,741,000 out of the school fund's investment securities was bank stock.

BIBLIOGRAPHY

Primary Sources

Alabama

Acts of the General Assembly of Alabama Territory, 1818.

Acts of the General Assembly of Alabama, 1819-1869.

Aiken, John C. *Digest of the Laws of the State of Alabama.* Tuscaloosa: D. Woodruff, 1836.

Clay, C. C. *Digest of the Laws of the State of Alabama.* Tuscaloosa: M. J. Slade, 1843.

Walker, A. J. *The Revised Code of Alabama.* Montgomery: Reid & Screws, 1867.

Arkansas

Acts of the State of Arkansas, 1836-1843.

Connecticut

Connecticut Acts and Laws, 1800-1867.

Connecticut Archives, College and Schools. 2nd Series, Vol. III, Document 1.

Correspondence between the Commissioners of the School Fund and the New Haven Bank. Hartford, 1832.

Public Records of the State of Connecticut, Vol. 6, 1797-1801.

Report of the Bank Commissioners to the General Assembly of Connecticut, 1866.

Reports of the Commissioner of the School Fund of Connecticut, 1808-1870.

Reports of the Superintendent of Common Schools of Connecticut, 1844/45-1870.

Resolves and Private Laws of the State of Connecticut, from the year 1789 *to the year* 1836. 2 vols. Hartford: J. B. Elbridge, Printer, 1837.

State Board of Education. *Development of State Support and Control of Education in Connecticut,* Hartford, 1926.

DELAWARE

Journals of the House of Representatives of the State of Delaware, 1795-1867. Available on microfilm, also.

Journals of the Senate of the State of Delaware, 1795-1867.

Laws of the State of Delaware, 1796-1866.

Laws of the State of Delaware, from the fourteenth day of October one thousand seven hundred, to the eighteenth day of August, one thousand seven hundred and ninety-seven. 2 vols. New Castle: Samuel & John Adams, 1797.

Laws of the State of Delaware, from the seventh day of January, one thousand eight hundred and six, to the third day of February, one thousand eight hundred and thirteen. 4 vols. Washington: Bradford & Porter, 1816.

Laws of the State of Delaware, from 1835-1843. Dover: S. Kimmey, 1843.

Messages of the Governor to the General Assembly of the State of Delaware, to 1867. *Also in various Journals of the House and of the Senate.*

Reports of the Auditor of the State of Delaware, 1798-1867. Early Reports are in the *Journals of the House of Representatives of the State of Delaware.*

Reports of the Superintendent of Free Schools of the State of Delaware, to 1881.

FLORIDA

Acts of the Legislative Council of the Territory of Florida, 1829-1845.

Acts and Resolutions of the General Assembly of the State of Florida, 1845-1851.

DUVAL, JOHN P. *Compilation of the Public Acts of the Legislative Council of the Territory of Florida, passed prior to 1840.* Tallahassee: S. S. Sibley, 1839.

Journals of the Proceedings of the Senate of the General Assembly of the State of Florida, 1845-51.

THOMPSON, LESLIE A. *A Manual or Digest of the Statute Law of the State of Florida.* Boston: Charles C. Little and James Brown, 1847.

GEORGIA

Acts of the General Assembly of the State of Georgia, 1811-1866.

Charter of the Bank of Darien.

Journals of the House of Representatives of the State of Georgia, 1817-1866.

Journals of the Senate of the State of Georgia, 1817-1866.

PRINCE, OLIVER H. *Digest of the Laws of the State of Georgia.* Athens: O. H. Prince, 1837.

Report of the Commissioners appointed by Authority of the Legislature, on the Subject of the State Finances. Milledgeville: Grieve and Orme, 1839.

Reports of the Comptroller General of the State of Georgia, to 1866. Early Reports in *Journals of the House of Representatives of the State of Georgia,* and in *Acts of the General Assembly of the State of Georgia.*

INDIANA

Constitution of the State of Indiana, and the Address of the Constitutional Convention. New Albany: Kent and Norman, Printers, 1851.

Documents of the General Assembly of Indiana, 1836-1870.

General Laws of the State of Indiana, 1836 and 1840.

JONES, FRANK L. Supt. of Instruction. *The School Law of Indiana.* Indianapolis, 1901.

Laws of the State of Indiana, 1833-1865.

Reports of the Auditor of the State of Indiana, to 1870. *Also in Documents of the General Assembly of Indiana.*

Reports of the Superintendent of Public Instruction of the State of Indiana, 1853 to 1900.

Revised Statutes of the State of Indiana, 1843. Indianapolis: Dowling, 1843, 2 vols.

Revised Statutes of the State of Indiana, 1852. Indianapolis: J. P. Chapman, 1852, 2 vols.

KENTUCKY

Acts of the General Assembly of the Commonwealth of Kentucky, 1806-1884.

Appendix to the Kentucky Senate Journal, 1839/40.

Journals of the House of Representatives of the Commonwealth of Kentucky, 1816-1866.

Journals of the Senate of the Commonwealth of Kentucky, 1816-1866.

Kentucky Legislative Documents, 1840-1866.

Messages of the Governors of Kentucky, 1821-1866. In *Journal of the House of Representatives of the Commonwealth of Kentucky,* and in *Journals of the Senate of the Commonwealth of Kentucky.*

Reports of the Auditor of Kentucky, 1821-1866. In *Journal of the House of Representatives of the Commonwealth of Kentucky,* in *Journals of the Senate of the Commonwealth of Kentucky,* and in *Kentucky Legislative Documents.*

Reports of the Superintendent of Public Instruction of Kentucky, 1840 to date. See *Journals of the Senate of the Commonwealth of Kentucky,* and *Kentucky Legislative Documents for early reports.*

Maine

An Act to provide for the Education of Youth. Augusta: W. K. Johnson, Printer for the State, 1851.

Acts and Resolves of the State of Maine, 1833-1872.

Laws of the State of Maine, 1821. 2 Vols. Brunswick: J. Griffin, 1921.

Laws of the State of Maine, 1820.

The Maine School Finance Commission. *The Financing of the Public Schools of Maine,* Nov., 1934.

Messages of the Governor to Both Branches of the Legislature of the State of Maine, 1833-1865. Also in *Resolves of the State of Maine,* and *Maine House Journals and Senate Journals.*

Public Acts of the State of Maine, 1820-1839.

Public Acts of the State of Maine, 1832 to 1839 inclusive. Augusta: W. R. Smith & Co., 1842.

Public Laws of the State of Maine, 1872. Also in *Acts and Resolves of the State of Maine.*

Report of the Bank Examiner of the State of Maine, 1896.

Reports of the Board of Education of the State of Maine, 1847-1852.

Reports of the Superintendent of Common Schools of the State of Maine, 1854-1901. Titles vary.

Reports of the Treasurer of Maine, 1833-1866.
Resolves of the State of Maine, 1831-1839.

Maryland

Laws of Maryland, 1802-1866.
Maryland Senate Documents, to 1869.
Report of the Committee on Ways and Means, upon the Report of the Select Committee to which was referred the Memorial and Petitions of a great number of Citizens of different counties, praying the establishment of a Financial Institution, to be founded upon the invested moneys in the Treasury, for the Supply of Revenue and the general convenience and benefit. Annapolis: Jeremiah Hughs, Printer, 1833.
Report of Mr. Teackle, Chairman of the Select Committee, upon the Memorials of Sundry Citizens of different counties. Praying for the establishment of a State's Bank, to be founded upon the invested Money in the Treasury, for the Supply of Revenue and the General Convenience of the People; Made in the House of Delegates of the General Assembly of Maryland, at December Session, 1830. Annapolis: Jonas Green, Printer, 1831.
Reports of the Comptroller of the Treasury Department of Maryland, 1852-1869.
Reports of the Treasurer of the Western Shore of Maryland, to 1843.
Votes and Proceedings of the House of Delegates of Maryland, 1810-1866.

Massachusetts

Boutwell, Geo. S. "Origin and History of Massachusetts School Fund." *Annual Report of Board of Education of Massachusetts,* 1858.
Documents of the House of the Commonwealth of Massachusetts, 1833-1858.
Documents Printed by Order of the Senate of the Commonwealth of Massachusetts during the Sessions of the General Court, 1842.
An Exposition of Facts and Arguments in support of a Memorial to the Legislature of Massachusetts, by Citizens of Boston and Vicinity, in favor of a bank of Ten Millions. Boston: Dutton and Wentworth, State Printers, 1836.

Laws of the Commonwealth of Massachusetts, 1834.

The Public and General Laws of the Commonwealth of Massachusetts. 4 vols. Boston: Wells & Lilley, 1816.

Mississippi

Constitution and Form of Government for the State of Mississippi, Natchez: A. Marschalk, 1817.

Hutchinson, A. *Code of Mississippi.* Jackson: for the Compiler 1848.

Laws of the State of Mississippi, 1818-1839.

Laws of the State of Mississippi, embracing all acts of a public nature from January Session, 1824 *to January Session,* 1838, *inclusive.* Baltimore: J. D. Troy, 1838.

"Stock Ledger No. 1" of the *Bank of the State of Mississippi, 1819-1836.*

Missouri

Constitution of Missouri, 1865.

Journals of the House of Representatives of the State of Missouri, 1837-1867.

Journals of the Senate of the State of Missouri, 1832/33-1866.

Laws of a Public and General Nature of the District of Louisiana of the Territory of Louisiana of the Territory of Missouri, and of the State of Missouri, up to 1824. 2 Vols. Jefferson City: W. Lusk & Son, 1842.

Laws of the State of Missouri, 1836-1866.

Reports of the Public Schools of the State of Missouri, to 1901.

New Hampshire

Journals of the Proceedings of the House of Represenatives of the State of New Hampshire, 1806-1831.

Journals of the Senate and House of Representatives of the State of New Hampshire, 1832-1866.

Journals of the Senate of New Hampshire, 1822-1831.

Laws of the State of New Hampshire, 1821-1867.

Messages from the Governor of New Hampshire to the Legislature, 1827-1866.

Report of the Bank Commissioners of New Hampshire, 1866.

Report, Receipts and Expenditures by the Selectmen of the Town of Epping, for the Year ending March 2nd, 1848.

Reports of the Commissioners of the Literary Fund, in *Journals of the Proceedings of the House of Representatives of the State of New Hampshire, Journals of the Senate of New Hampshire,* and *Journals of the Senate and House,* 1823-1864.

Reports of the State Treasurer of New Hampshire, in *Journals of the Senate of New Hampshire,* and *Journals of the Proceedings of the House of Representatives of the State of New Hampshire,* 1823-1868.

Reports of the Superintendent of Public Instruction of New Hampshire to 1876. Earlier Reports on Common Schools in *Journals.*

New Jersey

Acts of the General Assembly of the State of New Jersey, 1804-1866.

Morse and Anderson. *State Federation of District Boards of Education.* Trenton, 1928.

Private and Temporary Acts of the General Assembly of the State of New Jersey, January, 1818.

Public Acts of the General Assembly of the State of New Jersey, 1812—October, 1818.

Report of the State Board of Taxation of the State of New Jersey for the year 1893.

Reports of the Comptroller of the Treasury of the State of New Jersey, 1816-1866. Earlier reports in *Votes and Proceedings of the General Assembly of New Jersey.*

Votes and Proceedings of the General Assembly of New Jersey, 1813-1866.

New York

Documents of the Assembly of the State of New York, 1831-1867.

Finegan, Thomas E. *Free Schools; A Documentary History of the Free School Movement in New York State.* 15th Annual Report of the Education Dept. Vol. 1, New York: The University of the State of New York.

Laws of the State of New York, 1791-1866.

Laws of the State of New York, 1812-1815, Vol. 3. Albany: Webster & Skinner, 1815.

Journal of the Senate of the State of New York, 1823.

Journals of the Assembly of the State of New York, 1805-1829.

Legislative Documents of the Senate and the Assembly of the State of New York, 1830.

Private Laws of the State of New York, 1808-1810.

Reports of the Comptroller, 1805-1867. In *Journals of the Assembly of the State of New York,* to 1829, in *Legislative Documents of the Senate,* 1830, and the *Assembly of the State of New York,* to 1867.

Reports of the Superintendent of Common Schools of the State of New York, 1828-1854.

Reports of the Superintendent of Public Instruction of the State of New York, 1855-1866.

SOPER, WAYNE W. *Development of State Support of Education in New York State.* University of the State of New York Bulletin, May 1, 1933, No. 1010. Albany: The University of the State of New York Press, 1933.

NORTH CAROLINA

Acts Passed by the General Assembly of the State of North Carolina, 1825-1833/34.

Biennial Reports of the Superintendent of Public Instruction of North Carolina, to 1897/98.

Charter and By-Laws, Rules and Regulations of the Bank of North Carolina. Raleigh: W. W. Hilden, 1859.

CLARK, WALTER, ed. *The State Records of North Carolina.* Goldsboro: Nash Brothers, 1904, Vol. XXIII.

COON, CHAS. L. *The Beginnings of Public Education in North Carolina. A Documentary History, 1790-1840.* 2 Vols. Raleigh: Edwards & Broughton Printing Co., 1908.

Journals of the House of Commons of the General Assembly of the State of North Carolina, 1812-1866.

Journals of the Senate and the House of Commons of the General Assembly of North Carolina, 1838/39.

Journals of the Senate of North Carolina, 1820-1866.

Laws of the State of North Carolina, 1807-1866.

North Carolina Executive and Legislative Documents, to 1866/67.

North Carolina Legislative Documents, 1834-1851.

North Carolina Treasurer's Reports, 1824-1866. Also in *North Carolina Legislative Documents, North Carolina Executive and Legislative Documents,* and early *Acts of the State of North Carolina.* Title varies.

Private Laws of the State of North Carolina, 1855-1866.

Reports of the Comptroller, 1826-1866. Also in *North Carolina Legislative Documents and North Carolina Executive and Legislative Documents.* Title varies.

Reports of President and Directors of the Literary Board of North Carolina, to 1866. In *North Carolina Executive and Legislative Documents,* and *North Carolina Legislative Documents.*

SAUNDERS, WILLIAM L. ed. *Colonial Records of North Carolina.* Raleigh, 1886, Vol. V.

OHIO

Acts of a General Nature of the State of Ohio, 1814-1853.

Acts of a Local Nature of the State of Ohio, 1836-1838.

Acts of the State of Ohio, 1806.

Ohio Executive Documents, 1855-1859.

Ohio General Assembly Documents, 1836-1854.

Report of the School Revenue Commission to the Ohio State Teachers' Association, 1907. Columbus, Ohio. Berlin Printing Co.

Reports of the Auditor, 1837-1853. Also in *Ohio General Assembly Documents* after 1836.

Reports of the Treasurer of State, Ohio, 1837-1853.

PENNSYLVANIA

Charter and Laws of the Bank of Pennsylvania, Phila., 1830.

In the Court of Common Pleas for the City and County of Philadelphia. Amendment and Supplement to Original Bill of Complaint of Bank of Kentucky vs. Schuylkill Bank, and J. J. Leavis.

DALLAS, ALEXANDER J. *Laws of the Commonwealth of Pennsylvania,* 1790-1795. 4 Vols. Philadelphia: Hall and Sellers, 1795.

Laws of the General Assembly of Pennsylvania, Passed at a Session, 1793-1841.

PEPPER, GEORGE WHARTON AND LEWIS, WILLIAM DRAPER. *Pepper and Lewis' New Digest.* 2 Vols. Philadelphia: T. and J. W. Johnson and Co., 1896, Vol. 1.

Reports of the Auditor General on the Finances of Pennsylvania, 1851.

Reports of the Superintendent of Common Schools of Pennsylvania, to 1844.

Reports of the State Treasurer of Pennsylvania, on the State of the Finances, 1835-1840.

SNYDER, Auditor General, W. P. *Compendium and Brief History of Taxation in Pennsylvania.* Harrisburg: Harrisburg Publishing Co., 1906.

RHODE ISLAND

Acts and Resolves of the State of Rhode Island and Providence Plantations, 1828-1881.

The Charter of the Globe Bank in Providence. Granted in January, A. D. 1831. Providence: W. Simons, June, 1831.

General Treasurer's Reports, in *Acts and Resolves of the State of Rhode Island and Providence Plantations,* 1829-1869.

Message of Alfred H. Littlefield, Governor of Rhode Island, to the General Assembly, at its January Session, 1881. In *Acts and Resolves of the State of Rhode Island and Providence Plantations.*

Public Laws of the State of Rhode Island and Providence Plantations, 1828-1866.

Reports of the State Auditor, in *Acts and Resolves of the State of Rhode Island and Providence Plantations,* 1829-1869.

TENNESSEE

Acts of the State of Tennessee, 1811-1866.

The Charter of the Bank of Tennessee. Memphis: Memphis Bulletin Co., 1858.

"Compilation of Common School Laws", in *Acts of the State of Tennessee,* 1853/54.

Constitution of the State of Tennessee. Adopted at Nashville, February 23, A. D. 1870. Nashville: Foster, Parkes & Webb, Printers, 1906.

Journals of the Senate of the State of Tennessee, 1827-1866.

Public Acts of the State of Tennessee, 1829-1836.

Reports of the Comptroller of Tennessee, 1837-1867.

Reports of the Superintendent of Public Instruction of the State of Tennessee, 1867-69.

Tennessee Assembly, Appendix to Senate and House Journals, 1870/71.

Tennessee Assembly, Senate Journal Appendices, 1869/70.

Tennessee House Journal Appendices, 1837/38-1867/68.

Vermont

Acts and Laws of Vermont, 1806.

Acts and Resolves of the State of Vermont, 1825-1845.

Acts of the State of Vermont, 1825-1839.

Journals of the General Assembly of Vermont, 1825-1835.

Journals of the House of Representatives of the State of Vermont, 1836-1845.

Journals of the Senate of the State of Vermont, 1835-1845.

Message of the Governor of Vermont to the General Assembly, October, 1845.

Reports of the Vermont Board of Education, 1846-1874.

Virginia

Acts Passed at a General Assembly of the Commonwealth of Virginia, 1810-1866.

Governor's Message, in *Journal of the House of Delegates of the Commonwealth of Virginia,* 1865/66.

Journals of the House of Delegates of the Commonwealth of Virginia, 1812-1867.

Journals of the Senate of the Commonwealth of Virginia, 1812-1867.

Letters from the Governor enclosing the Reports from the President and Directors of the Literary Fund. In *Journals of the House of Delegates of the Commonwealth of Virginia,* 1811-1828. Title varies.

Reports of President & Directors of the Literary Fund of Virginia. Letters from the Governor and Reports of the Second Auditor on the State of the Literary Fund of Virginia.

Reports of the Second Auditor on the State of the Literary Fund of Virginia, 1829 to 1867.

Virginia School Reports, 1871-1872.

MISCELLANEOUS

BARNES AND BURR. *The Constitutions of the Several States of the Union and United States.* New York: Barnes and Burr, 1860.

Report of the Comptroller of the Currency, 1876.

28th Congress, 1st Session, House Executive Document, No. 15.

U. S. Statutes at Large, Vols. III-XIII.

WALLACE, JOHN W. *Cases Argued and Adjudged in the Supreme Court of the United States, December terms, 1868 and 1869.* Washington: W. H. and O. H. Morrison, 1870, Vol. 8.

BIBLIOGRAPHY

Secondary Sources

Abernethy, T. H. "Early Development of Commerce and Banking in Tennessee." *Mississippi Valley Historical Review.* (Vol. XIV, 1927).

Adams, Henry, ed. *Gallatin's Writings.* 3 Vols. Philadelphia: J. B. Lippincott & Co., 1879, Vol. 111.

American Almanac and Repository of Useful Knowledge. 32 Vols. Boston: James Monroe & Co., etc., 1830-61.

American Journal of Education. (Edited by Henry Barnard.) 32 Vols. August, 1855-1882. (Analytical Index published by U. S. Bureau of Education in 1892.)

Ashmead, Henry Graham. *History of the Delaware County National Bank.* Chester: Chester Times Press, 1914.

Bailey, Jr. Dudley P. "History of Banking in Massachusetts." *Bankers Magazine,* Sept. 1876 (Vol. 31).

The Bank of America. *A Brief Account of an Historical Financial Institution and its Site.* New York: The Bank of America, 1918.

Bankers Magazine. Baltimore & New York: 1844-1867.

Bell, Clarence W. *Stamford's First Century of Banking, 1834 to 1934.* Stamford: Privately Printed, 1934.

Bogart, Ernest Ludlow. *Financial History of Ohio.* University of Illinois Studies in the Social Sciences (Vol. 1, Nos. 1 and 2) Urbana-Champaign: The University, 1912.

Boone, Richard Gause. *Education in the United States.* New York and London: D. Appleton & Co., 1909.

Boone, Richard Gause. *History of Education in Indiana.* New York: D. Appleton & Co., 1892.

Bourne, E. G. *The History of the Surplus Revenue of 1837* New York: E. G. Putnam's Sons, 1885.

Boyd, William K. *Currency and Banking in North Carolina, 1790-1836.* Historical Papers of the Trinity College Historical Society, 1914 (Series X).

Boyd, William K. *History of North Carolina. Vol. II.* New York: Lewis Pub. Co., 1919.

A Brief History of a Bank. Baltimore: The Western National Bank of Baltimore, 1938.

Bryan, Alfred Cookman. *History of State Banking in Maryland.* Johns Hopkins University Studies in Historical and Political Science, Series XVII, Nos. 1, 2. 3. Baltimore: The Johns Hopkins Press, 1899.

Burpee, Chas. W. *First Century of the Phoenix National Bank of Hartford,* 1814-1914. Hartford: n. p., 1914.

Bush, George Gary. *History of Education in Vermont.* United States Bureau of Education. Circular of Information, Nos. 4, 1900. Washington: Government Printing Office, 1900.

Bush, George Gary. *History of Education in New Hampshire.* U. S. Bureau of Education, Circular of Information, No. 3, 1898. Washington: Government Printing Office, 1898.

Cable, John Ray. *The Bank of the State of Missouri.* New York: Columbia University, 1923.

Callender, G. S. "The Early Transportation and Banking Enterprises of the States in Relation to the Growth of Corporations." *Quarterly Journal of Economics,* (Vol. 17:111-162).

Callender, Guy S. *Selections from the Economic History of the United States, 1765-1860.* New York: Ginn & Co., 1909.

Campbell, Claude A. *The Development of Banking in Tennessee.* Nashville: Vanderbilt University, 1932.

Carroll, Charles. *Public Instruction in Rhode Island.* Providence: E. L. Freeman Co., 1918.

Chadbourne, Walter W. *A History of Banking in Maine,* 1799-1830. Orono, Maine: The University Press, 1936.

Coggeshall, William J. "System of Common Schools in Ohio." *American Journal of Education,* June, 1859 (Vol. VI).

Collins, A. H. *A Quarter of a Century of Progress in Education in Alabama.* Mimeographed Bulletin, n. d.

Committee of the Board of Directors. *The Trenton Banking Company.* Trenton, 1907.

Conant, C. A. *History of Modern Banks of Issue.* New York: E. G. Putnam's Sons, 1927, 6th edition.

Cook, Joel. *The Philadelphia National Bank.* Phila.: The Philadelphia National Bank, 1903.

Cotton, F. A. *Education in Indiana.* Indianapolis: Louisiana Purchase Exposition Monograph, 1904.

Cramer, Jr. T. P. *States as Bankers.* Portland: Secretary of Oregon Bankers Asso., 1936.

Cubberly, E. P. & Elliot, E. C. *State and County School Administration.* New York: Macmillan Co., 1922.

Davis, ed. Wm. Thomas. *The New England States.* Boston: D. H. Hurd & Co., 1897, Vol. III.

Dewey, Davis R. *State Banking before the Civil War.* National Monetary Commission. Washington: Government Printing Office, 1910.

Diffenderffer, Frank Ried. *A History of the Farmers Bank of Lancaster, the Farmers National Bank, and the Farmers Trust Co. of Lancaster.* Lancaster: The Farmers Trust Co., 1910.

Domett, Henry W. *A History of the Bank of New York, 1784-1884.* New York: Bank of New York, 1884.

Dowrie, George William. *The Development of Banking in Illinois, 1817-1863.* Urbana: The University of Chicago, 1913.

Duke, Gen. Basil *W. History of the Bank of Kentucky, 1792-1895.* Louisville: John P. Morton Co., 1895

The Early Days of the Bank of New York. New York: Privately Printed, n. d.

Eaton, Hon. John. "What Has Been Done by the General Government in Aid of Education." U. S. Bureau of Education, Circular of Information, No. 2, 1879. Washington: Government Printing Office, 1879.

Esarey, Logan. *State Banking in Indiana,* 1814-1873. Indiana University Studies, No. 15. Indiana University Bulletin, April 15, 1912, (Vol. X, No. 2).

Faust, Martin L. *The Custody of State Funds.* New York: National Institute of Public Administration, 1925.

Fellow, Henry C. *A Study in School Supervision and Maintenance.* Topeka: Crane & Co., 1896.

Field, Hon. Richard *S. Address on the Life and Character of the Hon. James Parker.* Newark: Daily Advertiser Office, 1869.

Fitts, J. H. "History of the State Bank of Alabama." *The Banking Law Journal,* June, 1895 (Vol. 12, No. 6).

Flanagan, Beecher. *A History of Banking in North Carolina to 1866.* Nashville: George Peabody College for Teachers, 1934.

Freud, Marie R. *One Hundred Years of Banking.* Scranton Pa.: International Textbook Press, 1936.

Garver, Frederic B. *The Subvention in the State Finances of Pennsylvania.* Menasha, Wis.: George Bauts Pub. Co., 1919.

The Gettysburg National Bank, 1864-1914, *of Gettysburg, Pa.* Gettysburg: The Gettysburg National Bank, 1914.

GILBART, JAMES W. *The History of Banking in America.* London: Longman, Rees, Orme, Brown, Green & Longman, 1837.

GOUGE, WILLIAM M. *The Journal of Banking from July* 1841 *to July* 1842. Philadelphia, 1842.

GOVAN, THOMAS P. "Banking and the Credit System in Georgia. 1810-1860." *The Journal of Southern History,* May, 1938 (Vol. IV, No. 2).

GRAS, J. S. B. *The Massachusetts National Bank of Boston,* 1784-1934. Cambridge, Mass: Harvard University Press, 1937.

The Hagerstown Bank at Hagerstown, Maryland. Hagerstown: Knickerbacker Press, 1910.

HAGERTY, JAMES E. *Early Financial History of Indiana.* Indiana History Bulletin, October, 1937 (Vol. 14, No. 10).

HANNA, HUGH SISSON. *A Financial History of Maryland,* (1789-1848.) Johns Hopkins University Studies in Historical and Political Science, Series XXV, Nos. 8, 9, 10, Baltimore: The Johns Hopkins Press, 1907.

HARDING, WM. P. "The State Bank of Indiana" (Reprint of *Journal of Political Economy,* Dec. 1895.) *Sound Currency,* Aug. 15, 1898 (Vol. V, No. 16).

HAWK, EMORY Q. "Taxation in Alabama." *Birmingham Southern College Bulletin,* January, 1931 (Vol. XXIV, No. 1, Supplement).

HILDRETH, R. *The History of Banks.* Boston: Hilliard, Gray, and Co., 1837.

HINSDALE, B. A. *"Common School Fund of Connecticut." Report of the Commissioner of Education,* 1892/93, Vol. 2. Washington: Government Printing Office, 1893.

HINSDALE, MARY M. "A Legislative History of the Public School System of the State of Ohio." *Report of the Commission of Education,* 1900-1901, Vol. 1. Washington: Government Printing Office, 1902.

A History of Fifty Feet in New York. New York: Bank of America, 1926.

HOLDSWORTH, JOHN THOMAS. *Financing an Empire. History of Banking in Pennsylvania.* Philadelphia; The S. J. Clarke Pub. Co., 1928.

HOLDSWORTH, JOHN THOMAS. *Money and Banking.* Scranton. International Textbook Co., 1926.

HOLDSWORTH, JOHN THOMAS, and DEWEY, DAVIS R. *The First and Second Banks of the United States.* Washington: Government Printing Office, 1910.

HOUSTON, FRANK K. *Commercial Banking in New York City,* New York: American Banker, Reprint.

HYATT, OSCAR W. *The Development of Secondary Education in Alabama Prior to* 1920. Nashville: George Peabody College for Teachers, 1938.

JEWETT, FRED EUGENE. *A Financial History of Maine.* New York: Columbia University Press, 1937.

JOHNSON, FINCKEL and WISTER. *A Century of the National Bank of Germantown.* Philadelphia: n. p. 1914.

KERR, editor, CHARLES. *History of Kentucky.* Chicago and New York: The American Historical Society, 1922, Vol. 1.

KLEINHANS, PHILIP L. *Down through the Years. The Story of the National Bank of Elizabeth, New Jersey,* n. p., 1938.

KNIGHT, EDGAR W. *Public School Education in North Carolina.* New York: Houghton Mifflin Co., 1916.

KNOX, JOHN J. *A History of Banking in the United States.* New York: Bradford Rhodes & Co., 1900.

KNOX, JOHN J. *United States Notes.* New York: Charles Scribner's Sons, 1884.

KREUGER, LEONARD BAYLISS. *History of Commercial Banking in Wisconsin.* University of Wisconsin Studies in the Social Sciences and History. No. 18. Madison: University of Wisconsin, 1933.

LANIER, J. F. D. *Sketch of the Life of J. F.D. Lanier.* New York: n. p., 1870.

LEWIS, A. F. *History of Higher Education in Kentucky.* United States Bureau of Education. Circular of Information, No. 3, 1899. Washington: Government Printing Office, 1899.

LEWIS, JR. LAWRENCE. *A History of the Bank of North America, the First Bank Chartered in the United States.* Philadelphia: J. B. Lippincott & Co., 1882.

Looking Backward. One Hundred and Twenty Five Years of Progress. Taunton: Bristol County Trust Company, n. d.

The Madison Courier. Madison, Indiana, Feb. 7, 1834.

MARTIN, GEORGE HENRY. *Evolution of the Massachusetts School System.* New York: D. Appleton & Co., 1894.

MAYO, A. D. "The American Common School in the Southern States During the First Half Century of its Republic, 1790-1840." *Report of the Commissioner of Education, 1895/96.* Vol. 1. Washington: Government Printing Office, 1897.

MAYO, A. D. "The Common Schools in the Southern States Beyond the Mississippi River, from 1830 to 1860." *Report of the Commissioner of Education,* 1900-1901, Vol. 1. Washington: Government Printing Office, 1902.

MAYO, A. D. "Education in Southwestern Virginia." *Report of the Commissioner of Education,* 1890/91, Vol. 11. Washington: Government Printing Office, 1894.

MAYO, A. D. "The Organization and Development of the American Common School in the Atlantic and Central States of the South, 1830-1860." *Report of the Commissioner of Education,* 1899-1900, Vol. 1. Washington: Government Printing Office, 1900.

MAYO, A. D. "Original Establishment of State School Funds." *Report of the Commissioner of Education,* 1894/95, Vol. 11. Washington: Government Printing Office, 1896.

MCCAIN, WILLIAM D. "The Charter of Mississippi's First Bank." *The Journal of Mississippi History,* Oct. 1939, (Vol. 1, No. 4) Reprint, also.

MCCONNELL, M. M. and CARR LIGGET. *Wheeling's First* 250 *Years.* The National Bank of West Virginia at Wheeling, 1942.

MCSHERRY, WILLIAM. *History of the Bank of Gettysburg,* 1814-1864 *The Gettysburg National Bank,* 1864-1914, *of Gettysburg, Pennsylvania.* Gettysburg: The Gettysburg National Bank, 1914.

The Middletown Bank, Chartered 1795. *Organized* 1801. *Since* 1865, *The Middletown National Bank.* Middletown: n. p., 1901.

Milledgeville Georgia Journal. December 13, 1815.

MORRISON, A. J. *The Beginnings of Public Education in Virginia,* 1776-1860. Richmond: Supt. of Public Printing, 1917.

MUSCALUS, JOHN A. *Bibliography of Histories of Specific Banks.* Bridgeport, Pa.: The Author, 1940.

Muscalus, John A. *State Bank Notes.* New York: Wayte Raymond, Inc., 1942.

Muscalus, John A. *State Owned Banks, the Pet Banks, and their Bank Notes.* Bridgeport, Pa.: The Author, 1940.

New Jersey Historical Society Proceedings, Series 2, Vol. 1.

Nevins, Allan. *History of the Bank of New York and Trust Company,* 1784-1934. New York, n. p,, 1934.

Nielson, Peter. *Financial History of the United States,* 1811-1816. Washington: Catholic University of America, 1926.

Noble, Marcus C. S. *A History of the Public Schools of North Carolina.* Chapel Hill: University of North Carolina Press, 1930.

Ohio State Teachers Association. *A History of Education in the State of Ohio.* Columbus, Ohio, 1876.

100th Anniversary Farmers National Bank, Reading, Pa. 1814-1914, n. p., n.d.

One Hundred Years of Banking in Norwich, Connecticut. Norwich: The Thames National Bank, 1926.

Owen, Thomas McAdory. *History of Alabama and Dictionary of Alabama Biography.* 4 Vols. Chicago: The S. J. Clarke Pub. Co., 1921.

Parsons, Francis. *A History of Banking in Connecticut.* Tercentenary Commission of the State of Connecticut, New Haven. Yale University Press, 1935.

Peace, Zephaniah W. *The Centenary of the Merchants National Bank.* New Bedford, n. p., 1925.

Perry, Haywood Arnold. *Sources and Distribution of State School Funds in North Carolina.* Master's Thesis. Durham: Duke University, 1933.

Powell, Lyman P. *The History of Education in Delaware.* U. S. Bureau of Education. Circular of Information, No. 3, 1893. Washington: Government Printing Office, 1893.

Proceedings of the Twenty-Eighth Annual Convention of the Tennessee Bankers Association, 1918.

Rawles, William A. *Centralizing Tendencies in the Administration of Indiana.* Studies in History, Economics, and Public Law. Columbia University (Vol. XVII, No. 1)

REED, GEO. *B. Sketch of Early History of Banking in Vermont.* Boston: n. p., 1879.

RHODES, M. C. *History of Taxation in Mississippi* (1798-1929). Nashville: George Peabody College for Teachers, 1930.

ROBERTS, JAMES A. *A Century in the Comptrollers Office.* Albany; James B. Lyon, 1897.

ROBINSON, MAURICE H. *A History of Taxation in New Hampshire.* American Economic Association, Third Series, August, 1903. (Vol. 3)

ROCKWOOD, CHARLES G. *One Hundred Years. The National Newark Banking Company,* 1804-1904. Newark: Nat'l Newark Banking Co., 1904.

ROOT, L. CARROLL. "Bank Currency in New York Prior to 1829." *Sound Currency,* Feb. 1895 (Vol. 11, No. 5).

ROOT, L. CARROL. "New England Bank Currency." *Sound Currency,* June 1, 1895 (Vol. 2, No. 12).

ROOT, L. CARROL. "States as Bankers." *Sound Currency,* April 15, 1895 (Vol. 11, No. 10)

ROWLAND, DUNBAR. *Encyclopedia of Mississippi History.* Madison, Wisconsin: Selwyn A. Brant, 1907.

SCHEPMOES, A. E. *Rise and Progress of the School System of the State of New York*: Syracuse: C. W. Bardeen, 1891.

SCOTT, Cashier, CHAS. E. *Farmers National Bank of Bucks County, Bristol, Pennsylvania. A Century's Record,* 1814-1914. Bristol: n. p., 1914.

SCROGG, S. W. O. "Pioneer Banking in Alabama." *Facts and Factors in Economic History.* E. T. Gay, ed. Cambridge: Howard Univ. Press, 1932.

SELIGMAN, EDWIN R. A. *Essays in Taxation.* New York. The Macmillan Co., 1895.

SHORES, ROSCOE VERNON. *A History of the State School Fund of Missouri.* Master's Thesis. Madison: University of Wisconsin, 1925.

SIMON, LEMUEL C. *A Century of the National Bank of the Northern Liberties of Philadelphia, Pennsylvania,* Phila., n. p., 1910.

SMITH, CHARLES LEE. *The History of Education in North Carolina.* U. S. Bureau of Education. Circular of Information, No. 2, 1888. Washington: Government Printing Office, 1888.

SOWERS, DON C. *The Financial History of New York State.* New York: Columbia University, 1914.

STARNES, GEORGE T. *Sixty Years of Branch Banking in Virginia.* New York: The Macmillan Co., 1931.

STEINER, B. C. *History of Education in Connecticut.* U. S. Bureau of Education, Circular of Information, No. 2, 1893, Washington: Government Printing Office, 1893.

STEINER, B. C. *History of Education in Maryland.* U. S. Bureau of Education. Circular of Information, No. 2, 1894. Washington: Government Printing Office, 1894.

STONEBURNER, WILLIAM EARL. *A History of Public Finance in Indiana.* Doctor's Thesis. Bloomington, Ill.: Indiana University, 1940.

SUMNER, WM. G. *A History of Banking in the United States.* (*A History of Banking in all the Leading Nations,* Vol. 1). New York: The Journal of Commerce and the Commercial Bulletin, 1896.

SWIFT, FLETCHER HARPER. *A History of Public Permanent Common School Funds in the United States,* 1795-1905. New York: Henry Holt & Company, 1911.

SWIFT, FLETCHER HARPER. *State Policies in Public School Finance.* U. S. Bureau of Education Bulletin, 1922, No. 6. Washington: Government Printing Office, 1922.

TAFF, NOLLIE OLIN. *History of State Revenue and Taxation in Kentucky.* Nashville: George Peabody College for Teachers, 1931.

THOMAS, THADDEUS P. *The Public School System in Tennessee.* U. S. Bureau of Education, Circular of Information, No. 5, 1893. Washington: Government Printing Office, 1893.

TOMLINSON, PAUL G. *A History of the Trenton Banking Company,* 1804-1929, Trenton, n. p., 1929.

TROTTER, ALEXANDER. *Observations on the Financial Position and Credit of such of the States of the North American Union as have Contracted Public Debts.* London: Longman, Orme, Brown, Green and Longmans, 1839.

U. S. Bureau of Education. *An Educational Study of Alabama.* Bulletin, 1919, No. 41. Washington: Government Printing Office, 1919.

WEEKS, S. B. "The Beginnings of the Common School System in the South; or, Calvin Henderson Wiley and the Organization of the Common Schools of North Carolina." *Report of the Commissioner of Education,* 1896/97, Vol. 2. Washington: Government Printing Office, 1898.

WEEKS, S. B. *History of Public Education in Alabama.* U. S. Bureau of Education. Bulletin, 1915, No. 12. Washington: Government Printing Office, 1915.

WEEKS, S. B. *History of Public Education in Delaware.* U. S. Bureau of Education Bulletin, 1917, No. 18. Washington: Government Printing Office, 1917.

WELCH, RONALD B. *State and Local Taxation of Banks in the United States.* Special Report of the State Tax Commission. No. 7, Albany: J. B. Lyon Co., Printers, 1934.

WHITE, HORACE. "National and State Banks." *Sound Currency,* May 15, 1897 (Vol. IV, No. 10)

WOOD, FREDERICK A. *History of Taxation in Vermont.* New York: Columbia College, 1894.

WOODBURN, JAMES ALBERT. *Higher Education in Indiana.* Bureau of Education, Circular of Information, No. 1, 1891. Washington: Government Printing Office, 1891.

WOODWARD, P. W. *One Hundred Years of the Hartford Bank now the Hartford National Bank of Hartford, Conn.* Hartford: The Case, Lockwood, & Brainard Co., 1892.

WOOSLEY, JOHN BROOKS. *State Taxation of Banks.* Chapel Hill: Univ. of North Carolina Press, 1935.

WORTHEN, W. B. *Early Banking in Arkansas.* Prepared at the request of the Arkansas Banker's Association for its meeting in April 1906.

WORTHINGTON, J. K. *Historical Sketch of the Finances of Pennsylvania.* Publications of the American Economic Association, May, 1887, (Vol. II, No. 2).

LENHART PRESS, NORRISTOWN, PA.